



INTERNATIONAL RECONSTRUCTION FUND FACILITY FOR IRAQ

WORLD BANK IRAQ TRUST FUND

REPORT TO DONORS



STATUS REPORT AS OF DECEMBER 31, 2007



ABBREVIATIONS AND ACRONYMS

AAA	Analytical and Advisory Activities
BSA	Board of Supreme Audit
CGAP	Consultative Group to Assist the Poor
CPPR	Country Portfolio Performance Review
DfID	Department for International Development
EC	European Commission
FMA	Fiduciary Monitoring Agent
G-7	Group of Seven Industrialized Countries
GOI	Government of Iraq
IBRD	International Bank for Reconstruction and Development
ICI	International Compact for Iraq
IDA	International Development Association
IFC	International Finance Corporation
IMF	International Monetary Fund
IRFFI	International Reconstruction Fund Facility for Iraq
ISN	Interim Strategy Note
ISR	Iraqi Strategic Review Board
ITF	Iraq Trust Fund (World Bank)
IZ	International Zone
KRG	Kurdistan Regional Government
MDTF	Multi-Donor Trust Fund
MOF	Ministry of Finance
MOPDC	Ministry of Planning and Development Cooperation
PCF	Post-Conflict Fund
PEIA	Public Expenditure and Institutional Assessment
PEFA	Public Expenditure and Financial Accountability
PFM	Public Financial Management
PHRD	Policy and Human Resources Development
PMT	Project Management Team
TOR	Terms of Reference
UN	United Nations
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNESCO	United Nations Education, Scientific and Cultural Organization
UNICEF	United Nations Children's Fund
US	United States

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INTRODUCTION

The World Bank, as Administrator of the World Bank Iraq Trust Fund, has agreed to furnish to the contributing donors, on a semi-annual basis, a status report describing the contributions, disbursements, and implementation progress of financed operations. This report covers the period from June 30, 2007 through December 31, 2007.

A. WORLD BANK RELATIONS WITH IRAQ

1. Iraq was a founding member of the World Bank, and received six loans from the International Bank for Reconstruction and Development (IBRD) between 1950 and 1973 for agriculture, education, flood control, telecommunications, and transport. The last loan closed in 1979. The World Bank reengaged with Iraq in the summer of 2003 when it prepared a needs assessment together with the United Nations (UN). The UN-World Bank Joint Needs Assessment was the basis for the October 2003 International Conference on Iraq in Madrid.

B. THE INTERNATIONAL RECONSTRUCTION FUND FACILITY FOR IRAQ

2. The International Reconstruction Fund Facility for Iraq (IRFFI) was endorsed at the Madrid Conference, in response to international requests to help donors channel their resources and coordinate their support for reconstruction and development activities in Iraq. In close consultation with Iraqi authorities and donors, the World Bank and UN created the structure, governance, and modalities of IRFFI.

3. The IRFFI structure is designed to ensure that activities financed by the Facility are aligned with Iraq's priority program. The Terms of Reference (TOR) for IRFFI require the Facility to fund Iraq's priority program. The Iraqi Strategic Review Board (ISRB), chaired by the Ministry of Planning and Development Cooperation (MOPDC), is charged with ensuring that activities funded through IRFFI support Iraq's own strategy, complement other donor programs, and avoid duplication. The IRFFI structure promotes close cooperation by providing a common governance structure, including a joint Donor Committee.

4. IRFFI encompasses two trust funds: the World Bank Iraq Trust Fund (ITF) administered by the World Bank, and the UN Development Group Trust Fund (UNDG Trust Fund) administered by the United Nations Development Program (UNDP) on behalf of itself and participating UN organizations. The World Bank Board of Executive Directors approved the World Bank to act as Administrator of the ITF in January 2004. A more detailed description of the establishment of IRFFI and the World Bank's role in the Facility is included in Annex 1.

5. The ITF became effective upon receipt of the first deposit, on March 30, 2004. By December 2004, the World Bank had committed nearly all the initial ITF deposits to approved projects. The ITF was originally scheduled to terminate on December 31, 2007, but by December 2005 the World Bank recognized that the difficult security environment, the impact of a series of political transitions in Iraq, and the time needed for Iraqi agencies to employ competitive bidding procedures, were causing significant delays in project implementation. In order to allow ITF financing to remain available through the life of the existing projects, the World Bank recommended that donors extend the ITF for three years, to December 31, 2010. The extension of the ITF became effective once each of the 17 donors signed a formal amendment to the administration agreement, in April 2007.

6. Iraq requested a more visible leadership role of IRFFI at the fifth IRFFI Donor Committee Meeting held in Istanbul in March 2007. To accommodate Iraq's request, donors agreed to an interim arrangement in which Iraq would co-chair the IRFFI Donor Committee together with the Government of Italy for one year. At the same time, the Donor Committee commissioned the UN-World Bank Facility Coordination Committee to launch a review of the Terms of Reference of IRFFI to: (i) review the roles and responsibilities of the IRFFI organizational/governance structure, including the Donor Committee, the Facility Coordination Committee, and the Secretariat; (ii) examine current project identification and approval processes, and implementation mechanisms and make recommendations to improve Iraqi ownership of

IRFFI programs and projects; and (iii) incorporate relevant experience from other multi-donor trust funds. Building on the comparative analysis of the “Review of Post-Crisis Multi-Donor Trust Funds” commissioned by the World Bank, the Norwegian Ministry of Foreign Affairs, and Norwegian Agency for Development Cooperation (February 2007), the study recommended modifications to the TOR to confirm full Iraqi ownership in setting policy directions and priorities for IRFFI. On the basis of this study, a revised TOR was prepared by the Facility Coordination Committee that was endorsed by the IRFFI Donor Committee at its sixth Donor Committee Meeting in Bari, Italy in October 2007.

C. STRATEGIC CONTEXT IN IRAQ

7. In May 2007, the Government of Iraq (GOI) launched the International Compact for Iraq (ICI), a comprehensive outline of the national vision for security, political, and socio-economic reforms. In collaboration with the United Nations, the World Bank provided technical support to the GOI, focusing on the socio-economic pillar of the ICI.

8. Since 2004, Iraq has faced difficulty spending its own resources, mainly due to insecurity and institutional constraints. Capital spending in 2006 was less than half of the amount budgeted. The 2007 budget envisages a near doubling of public investment in absolute amounts compared to actual public investment levels achieved in 2006. Such a reversal in public investment trends would require improved security and stronger institutions responsible for implementing public investment. The Compact recognizes these challenges: improving public resource management and strengthening institutions and governance are at the heart of the socio-economic pillar of the Compact.

9. A key component to bring stability Iraq is to build public confidence in government institutions and encourage job creation. The challenge to improve Iraqi citizens’ faith in Government and reduce unrest is two pronged: first, to improve Iraq’s allocation and management of its resources and revenue; and second, to ensure the effective delivery of critical services and infrastructure to its communities. Addressing these challenges requires building core state institutions, with investments in key sectors such as oil, education, power, transport, and water and sanitation. It also requires building efficient institutions and systems for service delivery and job creation at the local and national levels.

D. STRATEGIC ROLE OF THE BANK

10. The first Interim Strategy Note (ISN) for Iraq was discussed by the World Bank’s Board of Executive Directors in January 2004. It built on the Bank’s work in 2003, including the preparation of Watching Briefs in key sectors as well as on the UN-World Bank Joint Needs Assessment. The ISN relied on the Iraq Trust Fund to finance emergency investment operations and capacity building projects. Activities under the first ISN were organized under three tracks to: (i) build Iraqi institutional capacity; (ii) prepare and start implementing emergency investment operations to support the delivery of urgent basic services; and (iii) lay the groundwork for Iraq’s medium-term reconstruction and development program.

11. The second ISN for Iraq, discussed by the Board of Executive Directors in September 2005, provided the framework for an expanded program of analytical and advisory activities; as well as up to US\$500 million of International Development Association (IDA) lending and additional resources from the ITF. Under the overall umbrella of strengthening institutions, the second ISN was organized around four pillars to: (i) restore basic service delivery; (ii) enable private sector development; (iii) strengthen social safety nets; and (iv) improve public sector

governance. To provide a continuum of resources, the second ISN envisaged possible IBRD support (in the order of \$500 million), assuming critical progress regarding creditworthiness.

12. In 2008, the World Bank will update its strategic framework to guide its future engagement in Iraq. The preparation of the third ISN will include an assessment of the implementation of the World Bank's program under the second ISN. The third ISN will also be informed by close collaboration with GOI, and consultation with key international donors. While the strategic direction for the third ISN is not expected to depart substantially from the four pillars proposed under the second ISN, some shift in emphasis may be appropriate, based on the progress and experience of the last two years.

13. The World Bank's financial resources for Iraq are modest compared to those of other donors and to Iraq's own budget. In addition, Iraq continues to face difficulty in utilizing its own resources largely due to institutional constraints and lack of security. This suggests that the World Bank's most important contribution, given its approach to working through Government institutions, would be to help Iraq develop sustainable institutions and systems for the efficient and accountable use of public resources. Therefore, the World Bank anticipates that the third ISN would focus primarily on efforts to help the Iraqi government improve its capacity to productively spend its own, large fiscal revenues in a transparent fashion, and to deliver public services to its citizens in a more efficient manner.

14. Possible IBRD lending under the third ISN would require a creditworthiness assessment, to be undertaken as part of the preparation of the strategy note. Iraq's capacity to repay IBRD loans is not likely to be considered a significant risk in the creditworthiness assessment, given Iraq's oil revenues. However, political and security-related risks would likely play a prominent role in gauging Iraq's risk of default.

E. WORLD BANK ANALYTIC AND ADVISORY ACTIVITIES IN IRAQ

15. The World Bank supports Iraq through a variety of products and services, including investment projects as well as analytical and advisory work. Analytical and advisory activities (AAA) encompass a broad range of products, including technical assistance, policy advice, capacity building, and economic and sector analyses. The World Bank employs various financing instruments to deliver its products, including the ITF, IDA credits, its own budget, as well as other sources of small grant funding, such as the Japanese Policy and Human Resources Development (PHRD) and World Bank Post Conflict Fund (PCF) trust funds.

16. The World Bank maximizes its impact by creating synergy among the variety of products and financial instruments it utilizes. Analytical and advisory services and investment operations jointly support Iraq's development of more effective and accountable public sector institutions, and improved service delivery systems in key sectors, by combining rehabilitation with institution building to yield sustainable results.

17. In close collaboration with Iraqi counterparts, the World Bank prepared a Briefing Book on core reforms for the new Government in 2006. The Briefing Book gave priority to strengthening governance and institutions, accelerating economic reforms, and modernizing social safety nets. The Briefing Book offers a platform for substantial future policy advice from the World Bank, and helped inform the ICI.

18. The ICI recognizes these challenges by placing improving public resource management and strengthening institutions and governance at the heart of its socio-economic pillar. Improvements to public financial management and procurement are key to enable Iraq to deliver basic services to its citizens, use its national resources effectively, and to access international capital markets and attract foreign investment. Public financial management reform, at both the

national and sub-national levels, provides the centerpiece of the World Bank's AAA program with Iraq.

19. The World Bank is undertaking a large program of advisory and technical assistance work to help Iraq build the capacity of public institutions focusing on public sector governance, poverty and social safety nets, and growth and private sector development. The most important on-going activity is the Public Expenditure and Institutional Assessment (PEIA). In close collaboration with the Government, and with the participation of key donors, the PEIA aims to provide the analytic basis for Iraqi-led public financial management (PFM) reform. The PEIA aims to provide a robust analytical foundation to help Iraq prioritize and sequence its own program of effective medium-term policy reforms to improve the "systems" of budget planning and execution, decentralized public financial management, and anti-corruption measures, including procurement and internal and external audit functions. More details on the PEIA are provided in Box 1 below.

Box 1: Public Expenditure and Institutional Assessment

The Government of Iraq, through the ICI, recognizes the central importance of sound public resource management, including public finance management. It is critical for Iraq to use its substantial resources effectively in order to generate sustainable growth with maximum benefits for its citizens.

Institutional arrangements in Iraq, a country that has been devastated by conflict and economic sanctions, are subject to considerable inefficiency. Instituting significant legal and regulatory changes would require the full understanding and commitment of the public officials responsible for managing public resources, in order to improve budget formulation and execution. To provide an analytical basis for institutional capacity development and system reform, the Public Expenditure and Institutional Assessment provides a baseline assessment of Iraq's public financial management system. The PEIA will help Iraq define, shape, and prioritize an Iraqi-led program of PFM reforms.

The World Bank conducted a series of 10 workshops in Baghdad between July and December 2007 to document Iraq's public financial management system using the Public Expenditure and Financial Accountability (PEFA) framework. The workshops brought together about 30-40 experienced Government officials from the Ministry of Finance, the Ministry of Planning and Development Cooperation, line ministries, and the Board of Supreme Audit to work with PFM experts. Some of the workshops focused on a in depth review of PFM practices in the education sector, which serves as a case study for the report.

The results of the workshops are currently being analyzed and a draft PEIA report is expected to be shared with the Government for comments in the spring of 2008. The results of the PEIA, coupled with a complementary report on sub-national PFM, will help Iraq define a program of comprehensive reforms of the PFM system.

20. Strengthening systems and capacity at the provincial and regional levels is a critical component to improving PFM since budget transfers to sub-national governmental agencies are increasing in accordance with constitutional mandates. Consequently, at the request of the Ministry of Finance (MOF), and as part of the joint PEIA exercise, the World Bank provides capacity building on decentralized PFM in Iraq. In late 2006 and early 2007, the ITF financed two workshops through the Second Capacity Building Project that focused on PFM at the sub-national level. The workshops provided exposure to international experience and hands-on-

training to help the Kurdistan Regional Government (KRG) and the 15 southern and central governorates define their own priorities and develop specific action plans to improve PFM, based on international benchmarks and experience. The approach for the efforts at the sub-national level – like that at the national level – is to build Iraqi ownership for the problems and the solutions, to help the Iraqi authorities identify and implement short- and medium-term actions to strengthen PFM systems and improve budget execution. A draft of the “Sub-national Public Financial Management in Iraq” was submitted to the Government in November 2007.

21. The World Bank will continue to emphasize the need for improvements to public finance management and procurement to help Iraq use its resources effectively, and to enable Iraq to access international capital markets and attract foreign investment. Close collaboration with the MOF was instrumental to the success of the PEIA workshops and assessing the current status of the public finance system. The continued commitment of MOF will be critical to design effective follow-on work, including projects that could be financed by the Iraq Trust Fund to provide technical assistance and investment to modernize and strengthen public finance systems and institutions.

22. To help improve public accountability, the Second Capacity Building Project financed an Audit and Accountability Workshop in August 2007. High-level officials of the Board of Supreme Audit (BSA) and equivalent Kurdish bodies attended the workshop, which aimed to help the BSA: (i) improve resource planning by applying risk-based auditing techniques; (ii) increase the effectiveness of audits at the sub-national level; and (iii) work with civil society to enhance the demand for better governance. Follow-up work in all three areas is planned.

23. To support judicial reform, the Second Capacity Building Project financed a “twinning arrangement” for 15 staff of the Iraqi Higher Judicial Council to spend between 1 and 6 weeks in December 2007 shadowing their counterparts in the Dubai court system, to learn about Dubai’s successful personnel and caseload management systems. This practical experience allowed the participants to develop a framework for the future of Iraq’s courts, which was presented to other members of the Higher Judicial Council.

24. The World Bank supports other key areas including: (i) strengthening social safety nets and modernizing the pension system; (ii) improving the efficiency and effectiveness of the Public (food) Distribution System; (iii) assessing poverty and vulnerability; (iv) supporting the development of a new public procurement law; (v) restructuring the state-owned banking system; and (vi) improving oil revenue management and fiscal federalism. The World Bank will also continue to provide policy support in a wide range of sectors including agriculture, education, electricity, health, housing, transport, and water supply and sanitation.

F. WORLD BANK INVESTMENT OPERATIONS IN IRAQ

25. Investment projects administered by the World Bank, whether financed through the ITF or through IDA, are implemented by government agencies. While weaknesses of government institutions can reduce the speed of implementation, and create substantial fiduciary risks for World Bank-administered projects, project implementation by Iraqi agencies is an important tool to build capacity and institutions, and thus increase the sustainability of project outcomes. Project execution through country institutions provides a mechanism for direct, hands-on learning in project management, competitive procurement processes and modern financial management practices. These skills can remain in the ministry after projects are completed, and help enable Iraq to better manage its own national resources as well as international aid.

26. In June 2005, the Government asked that the IDA funding allocated for Iraq (US\$500 million) focus on basic services – education, electricity, roads, and water supply and sanitation. It

also requested that 17% of the IDA allocation (US\$85 million) be directed to the KRG, for projects to be determined by the KRG. The KRG chose to allocate its share of IDA resources to the power and transport sectors.

27. Between 2005-2007, the World Bank approved four IDA credits amounting to US\$399 million, including:

- Third Emergency Education Project, US\$100 million (Approved November 2005)
- Emergency Road Rehabilitation Project, US\$135 million (Approved June 2006)
- Dokan and Derbandikhan Emergency Hydropower Project, US\$40 million (Approved December 2006)
- Emergency Electricity Reconstruction Project, US\$124 million from IDA and US\$6 million from the Iraq Trust Fund, (Approved March 2007)

28. Iraq faced difficulty in determining the necessary legal process to ratify and make international loans effective. Iraq's Council of Representatives finally approved the four IDA credits on July 29, 2007. The Government provided Legal Opinions for two of the four projects (Education and Road Rehabilitation), making them effective on October 15, 2007. The Legal Opinions for the Dokan and Derbandikhan Hydropower Project and for the Emergency Electricity Reconstruction Project were submitted to the World Bank on October 30, 2007 and December 17, 2007, respectively, enabling the last two IDA credits to be declared effective. Given the long delay in effectiveness (the education project had been approved nearly two years before its effectiveness) and the sharp increase in costs in Iraq over that time, the projects may need to be re-costed and possibly restructured. World Bank teams are working closely with the implementing agencies to review each project to maximize effective project implementation.

29. A fifth IDA credit, which would finance rehabilitation of municipal water supply and sanitation, is currently under preparation. The project is expected to total US\$101 million, fully utilizing the remaining IDA allocation provided to Iraq under IDA-14. The World Bank expects to appraise, negotiate and approve the project by June 30, 2008.

30. The IDA projects could face many of the same impediments that continue to delay ITF-financed projects. However, the implementation of IDA projects may proceed more efficiently since, while awaiting effectiveness, preparatory activities for the projects continued, and some of the implementing ministries (Ministries of Education, Electricity, and Municipal Water) are now experienced with World Bank procedures. To improve the implementation of both IDA and ITF projects, the World Bank has requested the Government to appoint a senior technical staff person to work closely with the World Bank, serving as a focal point to help address implementation issues affecting the portfolio in Iraq.

31. As of December 31, 2007, the ITF finances sixteen grants valued at US\$437 million that aim to promote the sustainable delivery of a broad range of basic services (e.g. in health, education and water supply), improved design and delivery of social safety net programs, and institution and capacity building programs. Two ITF projects are now completed—the First Capacity Building Project closed in August 2004, and the Textbook Provision Project closed in December 2006. The Community Infrastructure Project, which finances labor intensive irrigation and drainage rehabilitation of agricultural land, is nearly completed.

32. In total, the World Bank has approved about US\$836 million for operations in Iraq—US\$399 million in IDA credits and US\$437 million in ITF grants. The rehabilitation of basic services, including education (25%), water supply and sanitation (21%) and transport (20%), account for the majority of World Bank-administered financing.

G. CHARACTERISTICS OF THE ITF PROJECT PORTFOLIO

33. The World Bank ITF is authorized to finance economic development projects, including rehabilitation/reconstruction and capacity building projects. The ITF does not finance quick-disbursing support to the political process (e.g. constitutional or electoral support activities), government recurrent expenditures, budget support, or humanitarian aid.

34. A distinguishing characteristic of ITF-financed investment projects is that they are implemented directly by Iraqi institutions. While donors who execute projects directly, using their own procedures and systems, maintain more direct control over project implementation and speed of disbursement, the World Bank's approach of implementing investment projects through country systems bolsters institutional capacity, strengthens internal controls, and reduces fiduciary risks in key government institutions. Employing country systems also serves to increase local ownership and sustainability of projects, minimize security costs, and maximize local employment.

35. Many of the ITF-financed projects aim to build systems for better service delivery, through "traditional" major reconstruction and rehabilitation projects, implemented through Iraqi institutions. Most ITF financing – about US\$366 million, 84 percent of the value of ITF projects – is obligated to multi-year reconstruction and rehabilitation projects that span several governorates or are national in scope. Nearly all ITF resources are subject to competitive bidding procedures, and most ITF projects finance primarily civil works and goods. Civil works and goods account for about 86 percent of the total value of the Iraqi-implemented investment projects. Consultant services, which consist primarily of local consultants hired for design, engineering, and supervision of works, account for less than 11 percent of portfolio value.

H. PROJECT IMPLEMENTATION AND FIDUCIARY ARRANGEMENT

36. World Bank implementation arrangements utilize Iraq's own institutions to help build transparent and robust institutions over time. Dedicated ministry personnel constitute a project management team (PMT) that is responsible for implementing the project financed through the ITF grant. The World Bank provides intensive training and support to PMT staff before project launch, and throughout implementation, in project management, competitive and transparent procurement methods, and financial management procedures. The World Bank provides continuous assistance to PMT staff through daily contact, periodic workshops, joint supervision missions, specialized local consultants, and support from the monitoring agent. Thus, even after the World Bank projects are completed and closed, the skills, experience, and systems acquired during project implementation will remain within the Government institution.

37. The World Bank supervises ITF-funded operations in accordance with the World Bank's applicable policies and procedures. Projects financed by the ITF are subject to the same internal controls, operational and quality reviews, and procurement, financial management, and trust fund policies that apply to all World Bank-financed projects. The World Bank is committed to applying at least the same level of care to the use of the ITF funds as it applies to its own resources. Box 2, below, outlines the basic internal controls that apply to the ITF.

Box 2: Fiduciary Oversight of World Bank Projects

The ITF is subject to annual external audits. Audit reports for 2005 and 2006, which were unqualified, have been provided to donors together with management letters. The World Bank also provides donors with unaudited financial statements each quarter through the Client Connection website. The 2007 external audit, covering the time period of January 1, 2007 through December 31, 2007, will be launched early in 2008.

Project funds, under Iraqi implementation, are also subject to audit. External audits of each Iraqi-executed project are contracted by the implementing agency and financed through the project funds. The World Bank monitors compliance with the audit requirement for each project. To date, all project audits have been “unqualified” with the exception of one case in which a small ineligible expenditure (US\$3,500) was identified, which has since been refunded to the trust fund.

All trust funds administered by the World Bank, including the ITF, are subject to the single audit process. Each year, the team leader of each ITF-financed trust fund must submit an annual Letter of Representation to confirm that trust fund disbursements have been made in accordance with the terms of trust fund agreements, and that effective internal controls have been maintained by the business unit responsible for the trust fund. This process provides support for the World Bank’s senior management to issue a management assertion that funds entrusted to the World Bank are administered under an appropriate control framework. The Letter of Representation exercise that was completed in June 2007 reported two cases of small ineligible expenditures (together totaling US\$13,958) that had been identified earlier and have since been returned to the ITF.

The World Bank conducts internal audits of its country programs periodically. The World Bank has launched an internal audit of its Iraq program, which covers the entire country program, including (but not limited to) activities financed through the ITF. The audit is scheduled to be completed before June 30, 2008.

38. Since the difficult security situation prevents World Bank staff from freely traveling to project sites to supervise project implementation, the World Bank employs special measures to mitigate risks for its program in Iraq. As part of the compensating controls introduced to minimize fiduciary risks, most project disbursements are made as direct payments by the Bank to individual contractors, consultants, and vendors.

39. The World Bank employs a network of professional and experienced Iraqi staff and consultants, backed by staff in Jordan, Beirut, and Washington, to monitor project progress and support the PMTs on a daily basis. The World Bank also engages a local Iraqi firm as a Fiduciary Monitoring Agent (FMA) to help supervise project implementation. The FMA visits project sites and the PMTs to monitor the physical implementation of projects and the implementing agency’s compliance with the required procurement and financial management procedures. The FMA reports its findings to the World Bank’s task team as issues arise, and in regular monthly reports. The FMA’s monthly reports describe and document the physical progress of projects, report findings, and make recommendations for follow-up actions to be carried out by the PMT and World Bank task team. Reports include digital photos, which provide good evidence of the delivery of goods, and quality and progress of the work of contractors.

40. An evaluation of the FMA’s performance was conducted in September 2006. Project teams ranked the overall performance of the FMA as “good”. Teams also identified areas for improvement, particularly in the area of providing clearer identification of issues and recommendations, which the World Bank teams and the FMA worked together to address. The

second comprehensive review, completed in October 2007, again found the FMA's performance to be generally good while stressing the need for streamlined reporting, in order to free up time to provide increased technical and advisory support to PMTs, especially on procurement matters and actions to help speed up disbursement. As a result of the satisfactory completion of the FMA's initial contract (2006-2007), and in view of the extension of the ITF to December 31, 2010, the Bank renewed the contract with the FMA until 2010, subject to continued satisfactory performance.

41. While the World Bank typically conducts annual or semi-annual supervision missions of its projects, World Bank task teams supervise projects in Iraq projects 3-4 times per year. Supervision is carried out jointly with the PMT and ministry staff. Staff of the FMA also participate in supervision missions. Given the size of the World Bank and Iraqi teams, coupled with the intensive nature of the work, which requires long hours over several days, supervision missions are usually conducted at the Interim Office for Iraq in Amman. More detailed information about how the World Bank operates in Iraq is presented in Box 3, below.

Box 3: How the World Bank Works in Iraq

Iraqi Staff/Consultants in the “Red Zone.” The World Bank has had a continuous presence in Iraq since mid-2004, employing several professional-level Iraqis. National staff and consultants work out of their homes (using satellite phone and email connections) and in the implementing agencies to help support the implementation of projects. They are supported by two drivers, using ordinary cars. The World Bank expands Iraqi staff as needed to support project implementation (e.g. in September 2007 the World Bank hired an Iraqi procurement specialist based in Erbil.) The Iraqi staff generally does not enter the Green Zone due to the high security risk.

International Staff in the “Green Zone.” International staff in the “Green Zone” focus on overall policy dialogue and donor coordination. From mid-2004 to mid-2007, the UK’s Department for International Development (DFID) facilitated an expatriate consultant based in the Green Zone to serve as a liaison for the World Bank and assist in overall program coordination with the Iraqi Government and donors, whose role was expanded to that of Country Manager for Iraq in 2007. To support the World Bank’s increased emphasis on public sector reform, a Public Sector Specialist has also been located in Baghdad since late 2006. Focused meetings (half a day or less) to discuss high-level policy issues can take place in the Green Zone.

Interim Office for Iraq in Amman. The Amman Office was established in 2003, after the bombing of the UN headquarters in Baghdad, which also housed the World Bank’s office. The bombing killed one World Bank consultant and injured several staff. The Amman Office continues to provide key logistical support for World Bank staff and consultants located in Iraq and for visiting missions, including support for staff travel, security, and medical emergencies, in addition to administrative support to the Iraq country program. The Amman Office provides a relatively cost-effective and secure venue to hold intensive meetings and workshops that require large teams to work closely over several days, as is required for appraisal, negotiations, and supervision missions. The International Finance Corporation (IFC) and the Consultative Group to Assist the Poor (CGAP) are co-located in the Amman office.

Fiduciary Monitoring Agent. The ITF employs a fiduciary monitoring agent (FMA), an Iraqi firm in Baghdad, to help ensure that donor funds are disbursed only for the purposes intended by the ITF and according to applicable Bank procedures. The FMA employs about two dozen Iraqi staff, predominantly professional engineers and accountants, who visit projects sites and the ministries on a daily basis.

Videoconferencing (VC) Facilities. In 2004, the World Bank had installed and maintained, on an exceptional basis, four video-conferencing facilities in Baghdad (located in the Convention Center in the Green Zone, Ministry of Planning, Ministry of Finance, and Central Bank of Iraq) to facilitate communication. The VC hub at the IZ convention center was dismantled without warning in mid-2006 by Iraqi officials. The World Bank recently procured and installed portable VC equipment in the World Bank office to facilitate communication.

I. CURRENT ITF PROJECT PORTFOLIO

42. As of December 31, 2007, the ITF finances sixteen grants amounting to about US\$436.7 million, fully obligating 94% of donor deposits.

- Thirteen of the sixteen ITF-financed projects, valued at US\$424.6 million, are grants implemented directly by Iraqi governmental authorities. Thus, 97% of the US\$436.7 million portfolio is under the control of the Government of Iraq.
- Three projects, totaling US\$12.1 million, are technical assistance and capacity building projects, implemented by the World Bank at the request of the Government of Iraq.

43. Two projects, First Capacity Building Project (US\$3.6 million) and the Emergency Textbook Provision Project (US\$40 million), are completed and closed. Thus, the active portfolio finances fourteen grants, totaling US\$393.1 million. Twelve active projects (US\$384.6 million), or 98% of the portfolio, are implemented by Iraqi institutions. Two projects (US\$8.5 million) are Bank-implemented technical assistance projects.

44. Table 1 identifies each ITF-financed project, and briefly describes its objective.

Table 1: Summary of ITF-Financed Projects
December 31, 2007

Project	Grant Amount (US\$ m)	Implementing Agency	Signing/ Effectiveness Date	Project Objective and Description:
First Capacity Building	3.6	World Bank	2/14/04	Build the capacity of the Iraqi authorities to enable them to define, prioritize, and implement development projects, and lead the reconstruction process.
Textbook Provision	40.0	Ministry of Education	5/15/04	Provide 69 million textbooks to improve learning conditions in primary and secondary schools throughout Iraq. Build institutional capacity, transferring effective project management skills to the ministry.
School Rehabilitation and Construction	60.0	Ministry of Education	10/14/04	Alleviate school building hazards and overcrowding in primary and secondary schools through construction of 117 new schools and the major rehabilitation of 134 existing schools.
Marshland School Construction	6.0	Ministry of Education	10/12/06	Provides additional funding to the Emergency School Construction and Rehabilitation Project, to construct about 30 new schools in the marshlands area of Basra, Nasiriyah and Missan.
Water Supply, Sanitation, and Urban Reconstruction	110.0	Ministry of Municipalities and Public Works	12/8/04	Restore basic water supply and sanitation services and urban services in the poorest areas of the country, choosing subprojects that will have high impact.
Health Rehabilitation	25.0	Ministry of Health	12/4/04	Improve emergency services in 10 hospitals (to ensure at least one well-equipped emergency unit per governorate), and provide 12 hospitals with basic medical equipment and pharmaceuticals.
Second Capacity Building	7.0	World Bank	12/6/04	Build on the first capacity building project to help authorities tackle necessary reforms to move to a diversified and market-driven economy and to improve the delivery of public services.

Project	Grant Amount (US\$ m)	Implementing Agency	Signing/ Effectiveness Date	Project Objective and Description:
Private Sector Development	55.0	Ministry of Planning and Ministry of Telecommunication	12/6/04	Lay the foundation for increasing investment and economic growth, fostering the development of the private and financial sectors by installing essential communications infrastructure and addressing selected priorities in institution building.
Community Infrastructure Rehabilitation	20.0	Ministry of Water Resources	12/18/04	Undertake a flexible program of labor-intensive civil works, generating near-term employment while improving rural irrigation, drainage, and water supply.
Disabilities	19.5	Ministry of Health	11/23/05	Improve services to the disabled by helping Iraq develop a comprehensive policy and legal framework for disabilities, strengthen Government-NGO partnerships, and reconstruct 11 rehabilitation centers.
Social Protection	8.0	Ministry of Labor and Social Affairs	6/6/2006	Enhance the impact of Iraq's social safety net and pensions programs. Assist Iraq to implement modern management and information systems to improve the delivery of social safety nets.
Household Survey and Policies for Poverty Reduction	5.1	Ministry of Planning and KRG	7/24/06	Finance a comprehensive household survey and data analysis, enabling the Government to establish a poverty line, target social assistance to the neediest, and make informed policy decisions.
	1.5	World Bank	5/31/06	Provide the technical support needed for Iraq to undertake modern data collection and analysis for the companion ITF grant implemented by the Ministry of Planning Center of Statistics and the KRG Statistics Unit.
Emergency Environment Management Project	5.0	Ministry of Environment	12/20/06	Strengthen key institutional and regulatory functions of the Ministry of Environment to enable it to undertake policy analysis, formulate laws and regulations, monitor environmental quality, promote environmental awareness, and conduct technical studies.
Emergency Electricity Reconstruction	6.0	Ministry of Electricity	4/4/07	Provides co-financing toward a US\$150 million project that aims to restore the base load generation capacity of the Hartha power station, and build institutional capacity.
Total			436.7	

J. DONOR PLEDGES, COMMITMENTS, AND DEPOSITS

45. Seventeen donors have pledged US\$496.4 million to the ITF, and deposited US\$464.6 million in the ITF account. Since the June 30, 2007 report to donors, the Republic of Korea

deposited US\$5 million in November 2007 to support rural infrastructure development and employment generation. In December 2007, the European Commission (EC) signed an administration agreement to provide €20 million to finance capacity building and strengthen economic management. While the EC deposit in Euros was transferred to the World Bank on December 31, 2007, the contribution will be attributed to the ITF in January 2008, once it is converted into US dollars. Though Qatar pledged US\$5.0 million at the Madrid conference in 2003, it has deposited only US\$2.5 million to the ITF to date. Table 2 shows the status of donor pledges, commitments, and deposits as of December, 2007.

**Table 2: Donor Pledges, Commitments and Deposits to ITF
December 31, 2007**

Donors	Pledges in Donor Currency ^{1/}		Pledges ^{1/}	Commitments ^{1/}	Deposits
	Currency	Currency (million)			
Australia	AUD	22.0	16.1	16.1	16.1
Canada	CAD	35.0	26.7	26.7	26.7
EC ^{2/ 5/}	EUR	143.0	179.3	179.3	150.0
Finland	EUR	2.0	2.6	2.6	2.6
Iceland	USD	1.0	1.0	1.0	1.0
India	USD	5.0	5.0	5.0	5.0
Japan ^{2/}	USD	130.6	130.6	130.6	130.6
Korea ^{4/}	USD	4.0	9.0	9.0	9.0
Kuwait	USD	5.0	5.0	5.0	5.0
Netherlands	EUR	5.0	6.2	6.2	6.2
Norway	NOK	45.0	6.7	6.7	6.7
Qatar	USD	5.0	5.0	5.0	2.5
Spain	USD	20.0	20.0	20.0	20.0
Sweden	SEK	40.0	5.8	5.8	5.8
Turkey	USD	1.0	1.0	1.0	1.0
United Kingdom	GBP	40.0	71.4	71.4	71.4
United States	USD	5.0	5.0	5.0	5.0
Total			496.4	496.4	464.6

^{1/} Includes pledges made at the 2003 Madrid Conference, plus additional contributions provided later.

^{2/} Commitments made in currencies other than US\$ are converted at the exchange rate as of the date of the administration agreement prior to their deposit into the fund, and is for indicative purposes only.

^{3/} The "deposits" column shows the actual US\$ equivalent amount credited to the ITF.

^{4/} Korea deposited an additional US\$5 million to the ITF, effective November 29, 2007.

^{5/} The EC committed an additional €20 million to the ITF, effective December 14, 2007.

46. The terms of multi-donor trust funds (MDTF) administered by the World Bank do not permit donors to " earmark " contributions to specific projects, because all inflows are commingled in a single account, making it impossible to trace any specific inflow to a particular project or expenditure. However, in an effort to accommodate donor requests, donors are permitted to identify sectoral preferences for their contributions to the ITF, and the World Bank ensures that

the value of projects in each sector will equal or exceed the amount of financing provided by ITF donors to that sector. While allowing donors to express a sectoral preference for their contributions may help donors report back to their constituents, it reduces the ability of the ITF to finance Iraqi priorities and respond flexibly over time. More than 71% of donor contributions to the ITF (US\$327.7 million out of US\$464.6 million) are locked into specific sectors by its donors. Table 3 shows donor deposits by sectoral preference, as applicable.

**Table 3: Donor Deposits by Sectoral Preference
(US\$ million)
December 31, 2007**

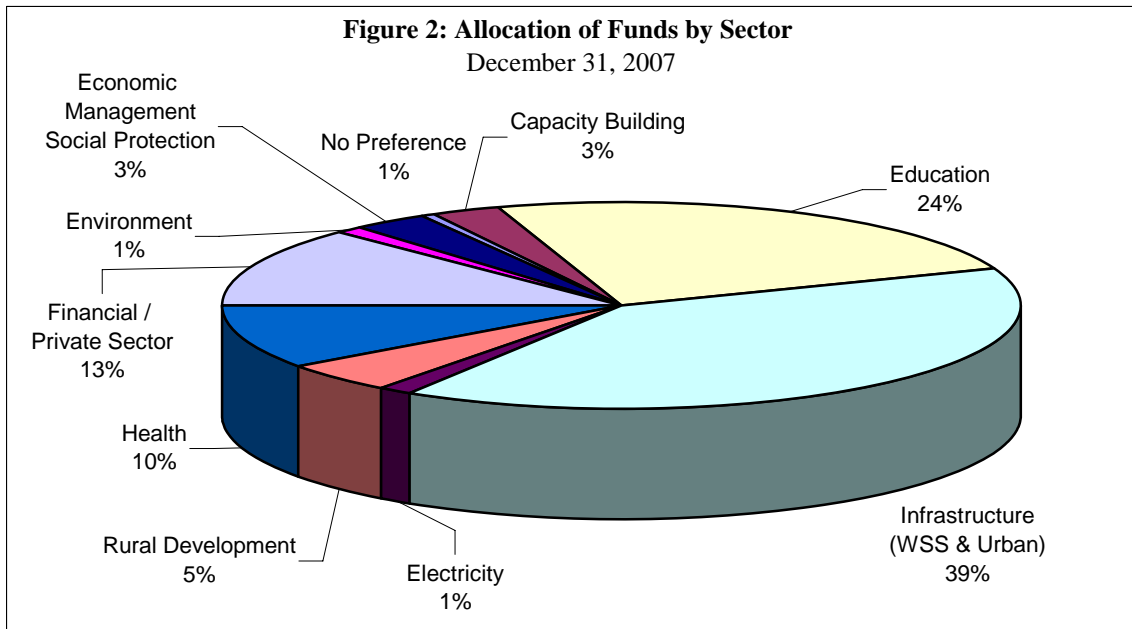
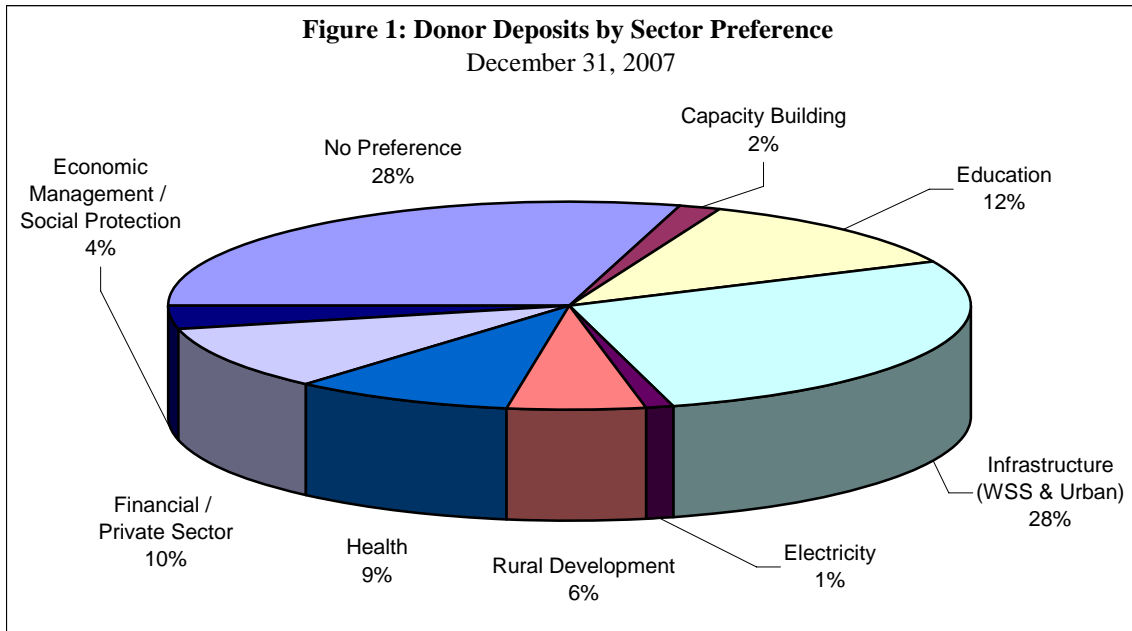
Donors	No Preference	Capacity Building	Educa-tion	Infra. (WSS & Urban)	Electricity	Rural Develop-ment	Health	Financial/ Private Sector	Economic Manage-ment/ Social Protection	Total
Australia	10.2					5.9				16.1
Canada	22.3								4.4	26.7
EC		7.5	55.5	25.7		20.0	29.1		12.2	150.0
Finland	2.6									2.6
Iceland							1.0			1.0
India	5.0									5.0
Japan				90.6				40.0		130.6
Korea				4.0		5.0				9.0
Kuwait	5.0									5.0
Netherlands	6.2									6.2
Norway	6.7									6.7
Qatar	2.5									2.5
Spain				8.0			6.0	6.0		20.0
Sweden					5.8					5.8
Turkey		0.3	0.3	0.3			0.3			1.0
United Kingdom	71.4									71.4
United States	5.0									5.0
Total	136.9	7.8	55.8	128.6	5.8	30.9	36.4	46.0	16.6	464.6

47. Table 4 summarizes the source and use of available funds by sector, as of December 31, 2007. The financing available to most sectors is already obligated to activities in those sectors. Overall, the use of available resources is aligned with the sectoral preferences designated by donors to the ITF.

Table 4: Source and Use of Funds by Sectoral Preference
(US\$ million)
December 31, 2007

	No Preference	Capacity Building	Educational	Infra. (WSS & Urban)	Electricity	Rural Development	Health	Financial/Private Sector	Environment	Economic Management/Social Protection	Total
Inflows											
Total Donor Deposits	136.9	7.8	55.8	128.6	5.8	25.9	41.4	46.0	0.0	16.6	464.6
Investment Inc Earned	56.1										56.1
Total Inflows	193.0	7.8	55.8	128.6	5.8	25.9	41.4	46.0	0.0	16.6	520.7
Outflows											
Completed Projects											
Capacity Building I		3.6									3.6
Textbook Provision			40.0								40.0
Active Projects											
School Rehabilitation & Construction			60.0								60.0
Baghdad Water Supply & Sanitation				65.0							65.0
Health Rehabilitation							25.0				25.0
Capacity Building II		7.0									7.0
Private Sector Development								55.0			55.0
Water Supply, Sanitation & Urban Reconstruction				110.0							110.0
Community Infrastructure						20.0					20.0
Disabilities							19.5				19.5
Social Protection										8.0	8.0
Household Survey & Policies for Poverty Reduction										5.1	5.1
Household Survey & Policies Technical Assistance		1.5									1.5
Environmental Management									5.0		5.0
Marshland School Supplement			6.0								6.0
Electricity Reconstruction					6.0						6.0
Subtotal		12.1	106.0	175.0	6.0	20.0	44.5	55.0	5.0	13.1	436.7
Expenditures for Project Appraisal and Supervision		0.3	2.8	4.6	0.2	0.5	1.2	1.4	0.1	0.3	11.5
Expenditures for Trust Fund Management and Fees	2.6										2.6
Total Outflows	2.6	12.4	108.8	179.6	6.2	20.5	45.7	56.4	5.1	13.4	450.8

48. Figures 1 and 2 below compare the sectoral allocation of donor deposits to current outflows.



K. FINANCIAL SUMMARY

49. Table 5 summarizes the sources and uses of ITF funds, including donor deposits and investment income earned, compared to grant obligations, allocations for projects under preparation, and costs for project appraisal and supervision, trust fund management, and administration fees.

Table 5: Sources and Uses of Funds
(US\$ Million)
December 31, 2007

Sources and Uses of Funds	Current Program	Receipts/ Expenditures
Sources of Funds		
Donor Deposits	464.6	464.6
Investment Income	56.1	56.1
Total Sources of Funds	520.7	520.7
Uses of Funds		
Project Financing		
Closed Projects		
Capacity Building I ^{1/}	3.6	2.5
Textbook Provision	40.0	38.8
Active Projects		
Capacity Building II ^{1/}	7.0	4.6
School Rehabilitation & Construction	60.0	16.9
Health Rehabilitation	25.0	8.4
Water Supply, Sanitation & Urban Reconstruction	110.0	18.6
Baghdad Water Supply	65.0	7.7
Private Sector Development	55.0	4.4
Community Infrastructure	20.0	16.1
Disabilities	19.5	1.5
Social Protection	8.0	0.2
Household Survey & Policies for Poverty Reduction	5.1	3.1
Household Survey & Policies (Technical Assistance) ^{1/}	1.5	1.3
Marshland Schools (Supplemental Grant)	6.0	0.0
Environmental Management	5.0	
Electricity Reconstruction	6.0	0.0
Subtotal Project Financing	436.7	124.1
Additional Financing Allocated for Active Projects		
Community Infrastructure II (Appraised)	26.0	
Household Survey Project	2.5	
Private Sector Development Project	9.0	
Subtotal Additional Financing	37.5	
New Projects Under Preparation		
Regional Health Emergency Response	8.7	
Education Sector Strategy	3.0	
Subtotal for Projects Under Preparation	11.7	
Total Resources Allocated to Projects	485.9	124.1
Cost Recovery		
Project Appraisal and Supervision ^{2/}	22.8	11.5
Trust Fund Management and Administration ^{3/}	3.1	2.6
Total Cost Recovery	25.9	14.1
Total Use of Funds	511.8	138.2
Unallocated Resources	8.9	382.5

^{1/} Capacity building technical assistance projects that are executed by the Bank (at the request of the Ministry of Planning and Development Cooperation).

^{2/} Includes budgeted costs for project appraisal and supervision of the current portfolio through the end of fiscal year 2008 (ending June 30, 2008) and the contract with the FMA contract through December 31, 2010.

^{3/} Includes budgeted costs for trust fund management and administration fees, plus estimated requirements through the fiscal year 2008 (ending June 30, 2008).

50. The available resources in the trust fund stand at US\$520.7 million, comprised of US\$464.6 million of donor contributions plus about US\$56.1 million of investment income earned since the inception of the ITF. US\$436.7 million (94% of donor deposits) has been granted to Iraq for project financing.

51. ITF financing totaling US\$37.5 million has been allocated to provide supplemental financing to three projects, as outlined below.

- The first phase of the Community Infrastructure Project has been progressing well in terms of impact and disbursement rate. Twenty out of 22 sub-projects are complete. The project has created substantial local employment (estimated at 176,500 man-days of employment), improving irrigation to 70,000 hectares of land, bringing benefits to about 121,000 farmers throughout Iraq. To build on the success of the Community Infrastructure Project, the Ministry of Water Resources prepared a follow-up project that aims to extend the impact of the project through rehabilitating and modernizing rural water infrastructure in communities throughout Iraq. The follow up project would also introduce improvements to further expedite progress and maximize the project's impact (e.g. strengthen farmer consultations and improve procurement practices.) The World Bank team is preparing to appraise a US\$26 million additional ITF financing package for the proposed project.
- The combined impact of currency fluctuations and price increases over time threaten the completion and impact of the Household Survey Project and Private Sector Development Project. Additional ITF financing – US\$2.5 million for the Household Survey Project and US\$8.0 million for the Private Sector Development Project – have been set aside to cover the increased costs. The World Bank teams are working closely with their counterparts implementing the projects to prepare formal supplemental financing requests for review and approval. A description of implementation progress of the Household Survey project is presented in Box 4 below.

**Box 4: Household Survey and Policies for Poverty Reduction Project
Status of Implementation**

The Emergency Household Survey and Policies for Poverty Reduction Project aims to strengthen the capacity of the Government of Iraq to make informed decisions towards reducing poverty, creating jobs, and protecting the vulnerable.

The project finances the first nationwide household income and expenditure survey since 1988. The survey was carefully coordinated with the UN Children's Fund's (UNICEF) household survey by including the same households to allow the two data sets to be merged. In addition to updating many indicators of a UNDP-sponsored survey completed in 2004, the collection of detailed income and expenditure data will allow the evaluation of poverty levels and the updating of Consumer Price Index weights.

A 12 month cycle of field work, covering about 18,000 households in all 18 governorates is expected to be completed in January 2008. The employment of over 300 local consultants facilitated this comprehensive nationwide access, and very few areas remained inaccessible due to security. A review of the quality of the fieldwork and the data has found both to be good. The analysis of the first 6 months of data is underway, with the remaining data to be analyzed following completion of the survey.

Complementary institutional support activities aim to build the capacity of the government to design a strategy for poverty reduction, employment generation and safety nets. The household survey data will provide the basis for several critical public spending choices, including the decision on how to replace the US\$3 billion per year food ration program with a more effective safety net.

The successful results have prompted the implementing agency, MOPDC, to request a scale-up of the technical assistance activities provided under the project. The World Bank will formally review the request for additional financing, which would provide funding to help offset the gap caused by currency fluctuations and price increases, and finance substantial new capacity building activities. MOPDC has also agreed to provide funding to fill the financing gap caused by price increases.

52. ITF funds totaling US\$11.7 million have been allocated to provide financing for two new projects, under preparation with the Iraqi authorities:

- The Regional Emergency Health Response Project (US\$8.7 million) aims to assist the Kurdistan Regional Government emergency response services to establish rapid, coordinated and effective responses to health emergencies, including those resulting from accidents, natural disasters, or acts of violence. The local capacity to respond to emergencies is limited. The project's regional focus represents a departure from the centrally-managed ITF health projects currently under implementation, and may provide valuable information about employing a decentralized approach for targeted interventions.
- The Education Strategy Project (US\$3 million) aims to help the Ministry of Education develop a detailed national education strategy and action plan. A workshop, jointly organized by the Bank, UNICEF, and the UN Education, Scientific and Cultural Organization (UNESCO), is planned for February 2008. The workshop would provide a notable opportunity to bring together the four ministries of education in Iraq (Federal and KRG ministries of education, and higher education and scientific research), along with the major donors supporting the education sector, to develop a

framework for a national education strategy. The proceedings of the workshop will be used to develop a project concept note for a technical assistance project to support the Education Sector in Iraq.

53. Taken together, resources allocated to projects total US\$485.9 million, almost 105% of donor deposits to the ITF, and 93% of the total value of the ITF, including investment income earned.

54. The provisions of the ITF allow it to finance the actual full costs the World Bank incurs to appraise and supervise projects and administer the trust fund. The World Bank recovers the costs to conduct project analysis, appraisal, supervision, trust fund management and administration through two mechanisms:

- An administrative fee is charged to offset the costs of the services provided by the central units of the World Bank (e.g. trust fund operations, accounting, legal, and loan departments). The fee is 0.4% for Bank-executed projects and 0.2% for the Iraqi-implemented projects, and is charged at the time the individual trust fund project is established.
- The actual full costs for World Bank staff and consultants (including the FMA) who carry out project analysis, appraisal, negotiation, and supervision and ITF management are charged directly to the trust fund. The actual costs of the annual external audit are also charged directly to the trust fund.

55. Allocations have been set aside to cover the costs of project appraisal and supervision of the current project portfolio through the World Bank's fiscal year (ending June 30, 2008), in line with the World Bank's annual planning cycle. Funding has also been set aside to cover the cost of the FMA contract through the life of the ITF (December 31, 2010). The FMA contract was renegotiated and extended in November 2007, for one year, renewable annually subject to the firm's satisfactory performance and the ITF's continued financing of active projects under implementation. Funds to cover the estimated costs of trust fund management and administration fees through the current fiscal year have also been set aside. In total, the costs of project appraisal and supervision, trust fund management, and administration fees through the current fiscal year, and the FMA services through December 31, 2010 are projected to reach US\$25.9 million. No ITF financing has been set aside to cover the costs of project appraisal, supervision, trust fund management, or administration fees beyond the current fiscal year, in anticipation of the ITF earning adequate investment income to cover these costs. Funding will be set aside at the beginning of the World Bank's fiscal year, in line with its annual work program planning cycle.

L. DISBURSEMENT PROGRESS

56. Disbursements correspond to actual expenditures – payments made for goods, works, and services delivered. Disbursements are made only after goods are delivered, work is certified to be satisfactorily completed, invoices are submitted to the implementing agency for review, and payment is requested from the World Bank. Thus, disbursements occur as the last step of implementation, and can only provide a lag indicator of project progress.

57. As part of the compensating financial controls for ITF-financed grants, disbursements in Iraq are made primarily through direct payments by the World Bank to individual contractors, consultants, and vendors. Small payments, typically those under US\$10,000, are made by the implementing agency from its own budget. Once a group of payments made by the ministry exceed the US\$10,000 threshold, they are claimed by the agency and reimbursed by the World Bank upon presentation of proof of payment and a signed withdrawal application. While these

procedures were designed to minimize fiduciary risks, they have also contributed to payment delays.

58. Disbursements – actual payments made from the trust fund – stand at US\$138.2 million as of December 31, 2007. (See Table 5.) Disbursements for project expenditures total US\$124.1 million and account for about 90% of total trust fund disbursements. Project expenditures for the Iraqi-implemented grants total almost US\$115.8 million, representing almost 93% of project expenditures and 84% of all ITF disbursements. Disbursements for the three Bank-executed capacity building projects (one of which is completed and closed) total about US\$8.4 million.

59. Actual expenditures for project analysis, appraisal and supervision, including the services provided by the FMA, total US\$11.5 million. Total costs for management of the trust fund and administration fees are about US\$2.6 million. While current disbursements for project work, trust fund administration and fees currently account for about 10% of disbursements to date, they represent about 3% of the value of the project portfolio. Projections over the life of the ITF indicate that cost recovery charges for project oversight and trust fund administration will total about US\$31 million, 6% of the value of the fund.

M. STATUS OF CONTRACTING

60. While trust fund disbursements provide a lag indicator of project progress, the status of contracting represents a measure of future progress. As of December 31, 2007, 75% of ITF grant monies have been tendered or contracted (US\$319.6 million), and the value of funds committed (signed contracts and cumulative operating expenditures) totals about US\$273.7 million, 64% of the value of the grant funding. Table 6 shows the status of contracting by project as of December 31, 2007.

**Table 6: Status of Grant Commitments for Iraqi-implemented Projects
(US\$ Million)
December 31, 2007**

Recipient-Executed Project	Total Grant Amount	Value of Grant Under Procurement or Committed ^{1/}	Grant Commitments ^{2/}	Disbursements
Textbook Provision (Closed)	40.0	38.8	38.8	38.8
School Construction & Rehabilitation	60.0	40.8	37.9	16.9
Baghdad Water Supply & Sanitation	65.0	43.7	19.7	7.7
Health Rehabilitation	25.0	18.9	14.5	8.4
Private Sector Development	55.0	53.5	55.1	4.4
Water Supply, Sanitation, Urban Reconstruction	110.0	80.0	71.1	18.6
Community Infrastructure	20.0	19.5	19.6	16.1
Disabilities	19.5	9.1	4.4	1.5
Social Protection	8.0	2.1	0.3	0.2
Household Survey & Policies	5.1	2.3	3.5	3.1
Marshlands School (Supplemental Grant)	6.0	5.7	5.5	0.0
Environmental Management	5.0	4.5	2.8	0.0
Emergency Electricity	6.0	0.5	0.5	0.0
Total	424.6	319.6	273.7	115.8
As % of Grant Amount		75%	64%	27%

^{1/} Cumulative value of grant for which procurement has been launched (e.g. tenders or Requests for Proposals have been issued). Data are as of End December 2007, based on FMA Consolidated Procurement Monthly Report for December 2007.

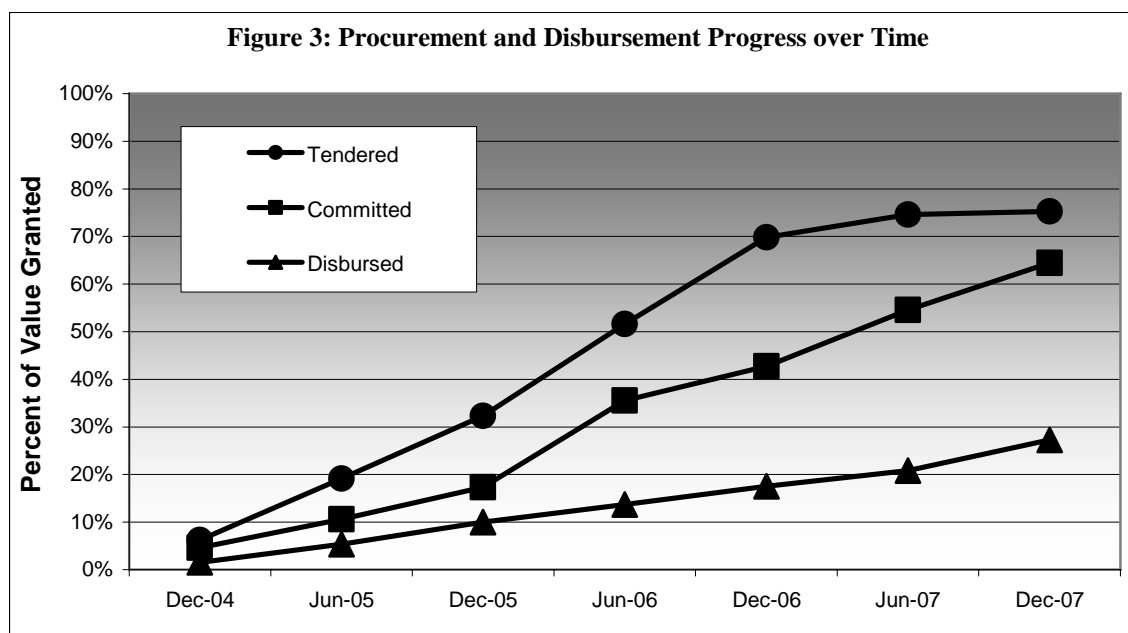
^{2/} Grant commitments include the value of signed contracts plus amounts already disbursed as operating costs. Data are as of end December 2007, based on FMA Consolidated Financial Monthly Report for December 2007.

61. The pace of committing and disbursing grant funding continues to show progress—the value of signed contracts increased by 18% over the past six months (61% over the past year), and disbursements have increased by 31% over the past six months (66% over the past year). Table 7 presents the growth in the value of grant financing tendered or procured, committed, and disbursed over time, which is graphically depicted in Figure 3.

Table 7: Procurement and Disbursement Progress over Time

US\$ Million
December 31, 2007

	Dec-04	Jun-05	Dec-05	Jun-06	Dec-06	Jun-07	Dec-07
Value Granted	355.0	355.0	374.5	374.5	398.6	424.6	424.6
Tendered	22.2	68.1	121.0	193.2	278.2	316.8	319.6
Committed	16.5	37.6	65.0	133.2	170.3	231.7	273.7
Disbursed	5.5	19.2	37.4	51.4	69.9	88.5	115.8



N. IMPLEMENTATION ISSUES

62. While the World Bank approach of utilizing country systems for project execution is critical to strengthening the institutional capacity of key governmental institutions, it also affects the pace of implementation. There is a trade-off between timely disbursements on one side, and sustainability, institution building, and building fiduciary safeguards on the other.

63. The pace of project implementation and the quality of the portfolio continue to suffer in a difficult operating environment where government capacity, already limited, has been increasingly stretched. Implementation issues, and specific actions to be taken by the Bank and the government to improve project implementation, were identified during a systematic Country Portfolio Performance Review (CPPR), which was launched with Iraqi counterparts in July 2007. (In the spring of 2006, the World Bank conducted the first CPPR for Iraq, which benefited from

good input from PMTs. However, due to the Government transition at that time, the CPPR was not discussed with senior Government officials, which limited the impact of the exercise.) Box 5 provides an overview of the CPPR exercise.

Box 5: Country Portfolio Performance Review

What is a CPPR? A CPPR is a joint exercise by the World Bank and the recipient government to identify issues that hamper project implementation, and to reach agreement on actions to be taken by the World Bank, the Government, and implementing agencies to address weaknesses and improve project performance.

How often is a CPPR usually carried out? The World Bank and the Government typically carry out a CPPR on an annual basis.

Why is a CPPR important at this time? The CPPR is an important tool to improve project implementation by helping Iraq and the World Bank address implementation bottlenecks that would facilitate progress of all donor-funded projects and help determine the allocation of resources to maximize impact. The results of the CPPR informed discussions at the World Bank/IMF Annual Meetings (October 19-21, 2007) and at the Sixth IRFFI Donor Committee Meeting (October 28-29, 2007). Finally, in the context of the ICI, undertaking a CPPR, and addressing implementation bottlenecks will demonstrate Iraq's commitment to results.

What is the process for carrying out the CPPR? While there is no one model, the process generally includes: (i) a joint review by the World Bank and Iraqi project teams at the technical level to identify issues that hamper project progress; and (ii) discussion at the ministerial level to consolidate issues and reach agreement on what actions should be taken, when, and by whom to address weaknesses. The output of the CPPR includes a matrix of specific issues, actions, and a time schedule for completion.

What issues are usually identified in a CPPR? A CPPR typically identifies both project-specific issues and generic or country-wide issues. Issues often include: procurement and financial management; administrative bottlenecks; capacity constraints; and turnover in project and / or World Bank staff.

64. The initial phase of the CPPR, in which the World Bank and Iraqi PMTs conducted a project review at the technical level, was completed in August 2007. In September 2007, the World Bank organized a discussion at the ministerial level to consolidate issues and reach agreement on what actions should be taken, when, and by whom, to address weaknesses. While most of the Iraqi PMTs actively participated in the joint workshop, there was no attendance from either of the critical central ministries (Ministries of Finance, and Planning and Development Cooperation).

65. In October 2007, the World Bank shared a draft matrix of the major issues identified and actions needed to improve the project performance with the PMTs, their ministers, as well as MOPDC, the MOF, and the Deputy Prime Minister, for information and comment. Upon completion of the CPPR exercise, the World Bank identified a few specific proposals for project restructuring and cancellation in cases where projects are unlikely to meet their development objectives within the lifetime of the ITF (e.g. the Baghdad Water and Disabilities projects), and recommendations to expand projects that are implementing well, demonstrating impact, and are expected to reach their development objective (e.g. the Community Infrastructure and Household Survey projects), and/or are adversely affected by severe cost increases (e.g. Private Sector Development Project). ITF project financing is granted to recipients, and while the World Bank

cannot unilaterally change the nature or scope of projects, it works closely with the recipient agency toward initiating changes that aim to maximize the impact of the project. Box 6 broadly outlines some of the major results of the CPPR.

Box 6: Summary Results of the 2007 CPPR

Project implementation is hampered by the following factors:

- Project management and PMT issues, including frequent changes in staff and overall diminishing capacities
- Lengthy procedural and approval delays within line ministries
- Uneven collaboration with ministries
- Security conditions
- Payment delays for Iraqi Dinars
- Inadequate provision of advance funding from the Ministry of Finance, resulting in a lack of liquidity in project accounts
- Inefficient domestic banking system
- Currency fluctuations and price escalation

Some actions to be considered to increase the impact of the portfolio include:

- Request the Government to appoint a senior technical staff member of the Ministry of Finance to oversee the implementation of the World Bank program.
- Restructure and/or cancel projects that are not likely to be completed on time and/or generate lasting results.
- Establish new correspondent bank in Iraq with more extensive branch network that can transfer funds electronically and provide periodic bank statements.
- Pilot alternative disbursement arrangements in two projects that can meet minimum fiduciary requirements.
- Recommend counterpart financing for some projects affected by price escalation and/or provide additional ITF financing for other projects.

66. As the first step in the implementation process, timely and high quality procurement is critical to swift project implementation. Slow preparation and processing of procurement documents, which sometimes require several iterations, has been a significant factor in implementation delays. The time needed for Iraqi implementing agencies to employ competitive bidding procedures may slow initial progress, although such competitive procedures are key to improving fiduciary controls and for cost effectiveness.

67. Ministries continue to be affected by staff turnover for a variety of reasons. The World Bank provides intensive training to the members of PMTs on project management and World Bank procedures, and PMT staff need time and experience to become proficient in applying them to project implementation. Turnover of experienced staff requires re-training, and inevitably leads to implementation delays. Some ministries also continue to suffer from inefficient decision-making and delegation of functions. While the intention may be to avoid potential claims of corruption, the lack of efficient procedures for day-to-day project management causes delays in, for instance, the approval of bidding documents or signing of contracts. Improved information and document flow in the recipient agencies could improve project management and the pace of implementation.

68. The overall security environment improved in the second half of 2007. However, the operating environment remains extremely difficult, and can still: (i) prevent regular staff access to ministry offices; (ii) discourage contractors from bidding for contracts; and (iii) delay the delivery of goods, the progress of civil works, and the inspection of project sites. To some extent, these

risks are mitigated by the Iraqi execution of projects and the engagement of (primarily) local contractors. The broad geographical coverage of ITF-financed projects, with subprojects often located in 9 to 18 governorates, also reduces the impact of localized instability.

69. Episodic delays in making Iraqi dinar payments to local contractors continue to interfere with timely project implementation and disbursement. Payment delays have caused contractors to interrupt work (delaying implementation) and lose confidence in the contracting process (driving up the cost of future contracts). One cause of payment delays is local contractors providing incomplete or inconsistent information on contracts, invoices, and withdrawal applications. World Bank local consultants and FMA teams continue to provide training and on-the-job support to PMT staff to help them ensure that contractors provide consistent and accurate information, including banking information, and that withdrawal applications are complete and correct before being submitted to the World Bank for payment.

70. The inability of the domestic banking system to transfer funds to local branches or individual accounts is another major cause for payment delays. To help address this problem, the World Bank first recommended that the MOF provide a higher advance to ministries' project accounts, which would provide adequate liquidity to allow the implementing agency to make more local payments. Since MOF refused to increase the level advance funding for project accounts using government funds, the World Bank prepared a proposal to pilot an alternative disbursement method on a pilot basis. Senior management of the World Bank approved the use of "designated accounts"—essentially revolving advance accounts financed through the ITF—as an exceptional disbursement method on a pilot basis for two projects (Household Survey and School Construction and Rehabilitation). The additional liquidity should facilitate the implementing agency's ability to make timely payments to local consultants and contractors. Upon presentation of appropriate documentation and demonstration that basic fiduciary controls are in place, the ITF would replenish the designated account. While establishing a designated account introduces some increased fiduciary risk, it may reduce other risks associated with payment delays, including reputational risks to the World Bank and the donor community, and the impact of work stoppages and further project delays. (More detailed information on the use of a designated account as a pilot for the Household Survey Project is provided in Box 7.) In addition to the efforts to pilot designated accounts, the World Bank Treasury Department has worked closely with its commercial banking partner to change its correspondent bank in Iraq to enable electronic fund transfers within Iraq.

Box 7: Pilot of a Designated Account for the Household Survey Project

The Household Survey project engages about 320 field workers to visit households and conduct interviews. While the World Bank has been able to disburse money into Iraq in a timely manner, payments in Iraqi dinars can then get held up due to the lack of a reliable local banking system with the ability to transfer funds efficiently to local branches and individual accounts. In addition, the project faces severe liquidity problems. These difficulties have resulted in 3-5 month delays in payments to fieldworkers. In order to improve the payment cycle, and ensure fieldworkers are paid their salaries and reimbursed for travel expenses in an accurate and timely manner, the Bank has been working with the PMT to set up conditions under which Bank management could agree to pilot a “designated account”—a revolving advance account—for the Household Survey Project.

Some basic fiduciary requirements that need to be in place in order to establish a designated account are listed below:

- The PMT must collect adequate documentation of payments made to contractors on a timely basis.
- The Ministry of Finance must establish a separate bank account, in order to keep ITF financing separate from other project resources.
- The commercial bank that holds the designated account must provide regular bank statements to the PMT.
- The PMT must reconcile the designated account on a monthly basis, and provide the reconciliation, along with supporting documents, to the Bank for replenishment of the designated account.

While establishing a designated account introduces some increased fiduciary risk, it is likely to reduce other risks associated with payment delays, including reputational risks to the ITF, the impact of work stoppages and further project delays. If the pilot use of a designated account is successful for the Household Survey Project, it could serve as a model for other ITF projects that face difficulties executing Iraqi dinar payments.

71. The appreciation of the Iraqi Dinar, coupled with the impact of inflation, have significantly increased the cost of goods and services over time. The recipient agency and the World Bank address these issues on a project-by-project basis. Given Iraq’s difficulty utilizing its own substantial resources, the World Bank continues to encourage the Government to provide the funding to fill financing gaps, to avoid a reduction in the scope and impact of some projects that would result unless additional financing is provided. In cases where co-financing is not feasible due, for instance, to different procurement procedures required by the Iraqi Government regulations and World Bank requirements, the grant recipient may prepare a proposal for supplemental financing from the ITF. Once approved by the ISRB, the revised project would be processed in line with standard World Bank procedures, appraised by World Bank task teams, and reviewed and approved internally by the World Bank.

72. The institutional capacity of the implementing ministries is a critical determinant of successful project implementation, and efforts to strengthen key ministries continue to be high on the agenda. Immediately following the CPPR meeting in September 2007, the World Bank held a financial management and disbursement workshop with members of many of the PMTs to review World Bank guidelines and fiduciary requirements, analyze disbursement and financial management problems faced in the projects, and introduce the designated account, and its associated controls as an additional disbursement method to be piloted in two projects. A follow up five-day workshop covering financial management, disbursement, and procurement, to be financed by the Second Capacity Building Project, is planned for January 2008. Financial officers

and procurement officers from the PMTs, FMA staff, and Bank consultants will jointly discuss project implementation issues, and review World Bank guidelines on financial management, disbursement, procurement and anti-corruption. Many joint sessions are being planned to ensure that financial and procurement officers understand the linkages between their functional areas, and can collaborate effectively to improve the quality of project management and the pace of project implementation.

O. RESULTS AND IMPACT OF ITF PROJECTS

73. The World Bank's principal objective is to help Iraq develop institutional frameworks, policies, and systems to lead to more effective, accountable, and transparent use of its resources. Table 8 outlines each ITF-financed project, its major objectives, projected impact, and current implementation status. More detailed information for each project is included in Annex 2, which includes a Project Summary Sheet for each project.

Table 8: Project Objectives, Impact and Status
December 31, 2007

Completed Projects

Project	Objectives	Impact
FIRST CAPACITY BUILDING		
<ul style="list-style-type: none"> • Grant Amount: US\$3.6m • Implemented by: World Bank • Effective: Feb. 2004 • Closed: August. 2004 	Build the capacity of the Iraqi authorities to enable them to define, prioritize, and implement development projects and lead the reconstruction process.	The project prepared Iraqi authorities to design and execute donor-funded projects. <ul style="list-style-type: none"> • Over 581 Iraqi officials completed 22 workshops • Provided the essential tools for managing the project cycle, including modern procurement and financial management procedures, and sector-specific training to help the Iraqi team prepare sector strategies • Participation in study tours and workshops helped Iraqi officials develop professional networks with counterparts in other ministries and neighboring countries
EMERGENCY TEXTBOOK PROVISION		
<ul style="list-style-type: none"> • Grant Amount: US\$40m • Implemented by: Ministry of Education • Coverage: Nationwide • Effective: May 2004 • Closed: December 2006 	Provide 69 million textbooks to improve learning conditions in primary and secondary schools throughout Iraq. Build institutional capacity, transferring effective project management skills to the ministry.	The project financed the printing and distribution of more than 82 million textbooks (11 books per pupil), exceeding its primary objective. <ul style="list-style-type: none"> • Cost savings, which resulted from competitive procurement procedures, financed 13 million additional textbooks • Benefited 6 million students in all 19,000 primary and secondary schools • Maximized local employment (55% of the grant amount financed local contracts) • The ministry adopted competitive procurement procedures for projects financed through other sources

Active Projects

Project	Objective	Impact	Implementation Status
EMERGENCY SCHOOL REHABILITATION			
<ul style="list-style-type: none"> • Grant Amount: US\$60m • Implemented by: Min of Education • Coverage: Nationwide • Effective: October 2004 • Closing: June 2009 	<p>Alleviate school building hazards and overcrowding in primary and secondary schools through new school construction and major rehabilitation of existing schools.</p> <p>Create substantial local near-term employment.</p>	<p>New or rehabilitated facilities will benefit 75,000 students.</p> <ul style="list-style-type: none"> • Major rehabilitation of 133 schools benefiting 45,000 students • Construction of 56 new schools • 6,000 jobs created 	<ul style="list-style-type: none"> • The rehabilitation component (133 schools) is complete • Construction of 2 schools is completed and another 28 are underway • Construction of an additional 26 is expected to start between by the end of March 2008 • Over 60% of funds (US\$38m) are contractually committed
SECOND CAPACITY BUILDING			
<ul style="list-style-type: none"> • Grant Amount: US\$7m • Implemented by: World Bank • Effective: November 2004 	<p>Build on the First Capacity Building project to help authorities tackle necessary reforms to move to a diversified and market-driven economy and to improve the delivery of public services.</p>	<ul style="list-style-type: none"> • More than 1,000 Iraqi officials will participate in activities to strengthen institutional capacity and reform • Participant evaluations confirm the value of providing a venue to discuss key policy issues and develop specific skills 	<ul style="list-style-type: none"> • More than 1,000 participants from various ministries and local institutions have attended workshops in economic management, public sector management and social safety nets • Most of the remaining funds will finance activities designed to enhance public financial management, in line with Iraq's Compact priorities
EMERGENCY PRIVATE SECTOR DEVELOPMENT			
<ul style="list-style-type: none"> • Grant Amount: US\$55m • Implemented by: Ministry of Planning and Iraqi Telecommunications and Post Company • Coverage: Nationwide • Effective: November 2004 • Closing: June 2009 	<p>Lay the foundation for increasing investment and economic growth, fostering the development of the private and financial sectors by addressing:</p> <ul style="list-style-type: none"> • Selected priorities in institution building; • Essential communications infrastructure. 	<ul style="list-style-type: none"> • Install a nationwide telecommunication backbone, which will create at least 1,000 short-term jobs and, ultimately, benefit every Iraqi and business 	<ul style="list-style-type: none"> • The installation of the high-capacity national telecommunications network is underway • The contracts for the public institution and competitiveness components, as well as the payment system have recently been awarded

Project	Objective	Impact	Implementation Status
EMERGENCY HEALTH REHABILITATION			
<ul style="list-style-type: none"> • Grant Amount: US\$25m • Implemented by: Ministry of Health • Coverage: Nine Governorates • Effective: November 2004 • Closing: February 2010 	<p>Improve emergency services in 9 hospitals (to ensure at least one well-equipped emergency unit per governorate), and provide 12 hospitals with basic medical equipment and drugs.</p>	<ul style="list-style-type: none"> • Serve an estimated 100,000 patients per year, who will use emergency services provided by the 9 hospitals • Create about 1,000 short-term construction jobs (225,000 man-days) through the use of local contractors 	<ul style="list-style-type: none"> • Rehabilitation of 4 hospitals is complete (of which 2 have been formally handed over) and three more are underway • Procurement of medical equipment is underway • 18 emergency drugs have been procured and are under distribution. The remaining 40 drugs have been contracted with WHO • 22 doctors have been trained in Emergency Preparedness and Response
EMERGENCY COMMUNITY INFRASTRUCTURE			
<ul style="list-style-type: none"> • Grant Amount: US\$20m • Implemented by: Ministry of Water Resources • Coverage: Fourteen gov. • Effective: December 2004 • Closing: December 2008 	<p>Undertake a flexible program of labor-intensive civil works to generate near-term employment while improving rural water irrigation, drainage, and water supply.</p>	<ul style="list-style-type: none"> • Twenty-two subprojects will benefit about 150,000 rural inhabitants by improving about 90,000 hectares of irrigated areas • Will create more than 20,000 job opportunities in total (180,000 man-days) 	<ul style="list-style-type: none"> • 20 subprojects in 10 governorates are complete, creating about 176,500 days of employment, improving 70,000 hectares of irrigated areas, and benefiting 121,000 farmers • 2 subprojects are underway
EMERGENCY BAGHDAD WATER SUPPLY			
<ul style="list-style-type: none"> • Grant Amount: US\$65m • Implemented by: Mayoralty of Baghdad • Coverage: Baghdad • Effective: December 2004 	<p>Restore basic water supply and sanitation services for Baghdad through the reconstruction and rehabilitation of existing treatment facilities and networks and by providing capacity building to the Mayoralty of Baghdad.</p>	<ul style="list-style-type: none"> • Provide clean water and purge sewage backups for about one million residents of Baghdad (about 17 percent of city's population) • Create 2,000 short-term jobs • Help the municipality design a comprehensive development plan for Baghdad 	<ul style="list-style-type: none"> • Project implementation continues to move at a slow pace and only some of the goods contracts have been signed • Considering the slow progress and short time frame remaining for implementation the Bank will recommend the Government restructure the project
EMERGENCY WATER SUPPLY, SANITATION & URBAN RECONSTRUCTION			
<ul style="list-style-type: none"> • Grant Amount: US\$110m • Implemented by: Ministry of Municipalities and Public Works • Coverage: Nine governorates • Effective: December 2004 	<p>Restore basic water supply and sanitation services and urban services in the poorest areas of the country, choosing subprojects that will have high impact.</p>	<p>Rehabilitate water supply and sanitation systems in nine cities, and urban infrastructure in three cities, which will:</p> <ul style="list-style-type: none"> • provide clean water and purge sewage backups for over 2 million people in 7 municipalities, and • Create 3,000 short-term construction jobs 	<ul style="list-style-type: none"> • Despite the slow start, implementation speed has increased dramatically recently with commitments currently at US\$71 million and disbursement at US\$19 million

Project	Objective	Impact	Implementation Status
EMERGENCY DISABILITIES			
<ul style="list-style-type: none"> • Grant Amount: US\$19.5m • Implemented by: Ministry of Health • Coverage: Eight governorates • Effective: November 2005 • Closing: September 2009 	<p>Reduce the burden of the disabled by helping Iraq develop targeted and cost-effective rehabilitation services in a community setting.</p>	<ul style="list-style-type: none"> • Upgrade the infrastructure and equipment of 8 rehab centers and/or prosthetic workshops • Develop the information base to promote evidence-based policy-making and improve the legal framework • Provide 250,000 people access to rehab services • Create over 83,000 man-days of local construction jobs 	<ul style="list-style-type: none"> • Design work for all centers is complete but only one is out to tender • Training and capacity building activities are progressing well
ADDITIONAL FINANCING FOR SCHOOL CONSTRUCTION IN THE MARSHLANDS			
<ul style="list-style-type: none"> • Grant Amount: US\$6m • Implemented by: Ministry of Education • Coverage: Marshland Areas of Southern Iraq • Effective: October 2006 • Closing: June 2009 	<p>Provides additional funding for the Emergency School Construction and Rehabilitation Project, to construct approximately 33 new schools in the Marshland areas of Basra, Nasiriyah and Missan.</p>	<ul style="list-style-type: none"> • Involve local stakeholders to mobilize and train local community committees to undertake small site works • Build 33 new schools to serve 6,000-8,000 students • Help stabilize the resettlement of about 30 village communities • Create over 90,000 man-days of construction work 	<ul style="list-style-type: none"> • Project Implementation is largely on track with the construction of 33 schools expected to start in early 2008 • The first schools are expected to open in summer 2008 • NGOs have been identified for the community training and management of the site improvement grants
EMERGENCY SOCIAL PROTECTION			
<ul style="list-style-type: none"> • Grant Amount: US\$8m • Implemented by: Ministry of Labor & Social Affairs and Ministry of Finance • Coverage: Nationwide • Effective: June 2006 • Closing: February 2010 	<p>Enhance impact of Iraq's social safety net and pensions programs. Assist Iraq to implement modern management and information systems to improve the delivery of social safety nets.</p>	<p>Improve targeting and reduce leakages to increase the benefits that reach vulnerable populations, through:</p> <ul style="list-style-type: none"> • Implementing modern information systems to maintain data in order to improve management and policy decisions • Building technical capacity for policy analysis and design • Helping Iraq draft a pension reform strategy 	<p>Significant improvements have been achieved in the last 6 months and the project closing date was extended. Progress includes:</p> <ul style="list-style-type: none"> • Launching RfPs for 10 IT packages • 2 training contracts awarded • Pension survey proposal evaluation completed • External auditor selection is underway • MOLSA has revised the implementation framework for the Beneficiary assessment and has drafted the TORs

Project	Objective	Impact	Implementation Status
EMERGENCY HOUSEHOLD SURVEY & POLICIES FOR POVERTY REDUCTION (HSPPR)			
GRANT FINANCING <ul style="list-style-type: none"> • Grant Amount: US\$5.1m • Implemented by: MOPDC and KRG Statistical Units • Coverage: Nationwide • Effective: July 2006 	Provides financial and technical assistance to help Iraq undertake the Iraq Household Socio-Economic Survey. The survey provides needed data to enable Iraq to establish a poverty line and make evidence-based policy decisions, to ensure social assistance is targeted to the neediest populations.	The survey is the first comprehensive nation-wide household survey since 1998. The survey will: <ul style="list-style-type: none"> • Combine an income and expenditure survey with a Living Standard Measurement Survey • Provide results to serve as the basis to develop Poverty Reduction Strategy • Cover 17,000 households nationwide within 12 months 	<ul style="list-style-type: none"> • A 12 month cycle of fieldwork, covering about 18,000 households in all 18 governorates was completed in December 2007 and analysis of the data is now underway • A GOI team has met several times to organize their work towards a Strategy for Poverty Reduction, Employment Generation and Safety Nets
TECHNICAL ASSISTANCE <ul style="list-style-type: none"> • Grant Amount: US\$1.5m • Implemented by: WB • Effective: May 2006 			
EMERGENCY ENVIRONMENTAL MANAGEMENT			
<ul style="list-style-type: none"> • Grant Amount: US\$5m • Implemented by: Ministry of Environment • Coverage: Nationwide • Effective: December 2006 • Closing: August 2010 	Aims to strengthen key institutional and regulatory functions of the ministry, to enable the ministry to undertake policy analysis, formulate regulations, monitor environmental quality, promote environmental awareness, and conduct technical studies.	<ul style="list-style-type: none"> • Analyze issues and produce an Environmental Action Plan, outlining critical priorities for the next 3-5 years • Install and monitor 18 air quality monitoring stations in 3 cities • Prepare solid waste management master plan for Baghdad; and a health care waste management plan 	<ul style="list-style-type: none"> • Negotiations with an international consulting firm for a technical assistance package to the Ministry are underway • The implementation of the environmental monitoring component is underway and the contractor is ready to install the air monitoring stations
EMERGENCY ELECTRICITY RECONSTRUCTION			
<ul style="list-style-type: none"> • Grant Amount: US\$6m • Implemented by: Ministry of Electricity • Coverage: Nationwide • Effective: April 2007 • Closing: September 2010 	Aims to restore base load generation of the Hartha Power Station Units 2 and 3, and to lay the groundwork for improved power system planning. The ITF grant financed component supports consultant support, feasibility studies, training, and technical assistance to strengthen institutional capacity.	<ul style="list-style-type: none"> • Alleviate power supply shortfall • Provide power to approximately 1 million households and grid-connected industrial consumers for 20 years • Strengthen capacity of Ministry of Electricity to undertake improved power system planning 	<ul style="list-style-type: none"> • A consultant is working with the Ministry of Energy on pre contract-award activities • Selection of a consultant for the feasibility study and to prepare a bidding package for natural gas power plant is underway. • A training plan for Ministry staff is under preparation

74. Beyond the results delivered through any specific project, the ITF may be the only vehicle that provides support to Iraq's own national and sub-national structures. Executing projects through Iraqi institutions strengthens those institutions through the hands-on project implementation experience. Projects financed through the ITF continue to help Iraq deliver improvements in basic service delivery, while building skills in the civil service to implement development programs, conduct poverty analyses, undertake sectoral analyses, and design social protection schemes to target services to the neediest citizens.

P. INFORMATION DISSEMINATION

75. The IRFFI website (www.irffi.org), jointly managed and updated by World Bank and UNDP staff, serves as a repository for up-to-date news, monthly reports and data, providing regular updates on the financial status of deposits, commitments, and disbursements as well as project implementation progress to donors and other interested parties. The website, which resides on World Bank servers, is publicly available.

ANNEX 1: ITF BACKGROUND AND COUNTRY CONTEXT

A. THE INTERNATIONAL RECONSTRUCTION FUND FACILITY FOR IRAQ

1. **Mandate.** At their meeting on April 12, 2003, the Group of Seven Industrialized Countries' (G-7) Finance Ministers and Central Bank Governors recognized the need for a multilateral effort to rebuild and develop Iraq. United Nations (UN) Security Council Resolution 1483 (May 22, 2003) noted the statement of the G-7 and called for the international financial institutions to assist the people of Iraq in reconstruction and to facilitate assistance by the broader donor community. In response, on June 24, 2003, the UN hosted a meeting of some 50 states which, collectively, became known as the Liaison Group. The Liaison Group, in turn, requested a small number of major donors, known as the Core Group, to convene a Donors' Conference. The Liaison Group also asked the World Bank and the UN to assess Iraq's reconstruction needs, and to design a multi-donor trust fund to coalesce donor support around Iraq's priority reconstruction needs.
2. **Joint Needs Assessment.** The World Bank and the UN, with support from Iraqi national officials and the International Monetary Fund (IMF), conducted a Needs Assessment during the period June through August 2003. The Needs Assessment was finalized following consultations in Dubai and Madrid with the Core Group, representatives of Iraq's Governing Council, Iraqi sector ministries, and the Coalition Provisional Authority. The final document was presented at the Donors' Conference in Madrid on October 23-24, 2003, where it was endorsed by the donors present and representatives of the Iraqi Governing Council.
3. **The Design of IRFFI.** In parallel with the Needs Assessment, the World Bank and the UNDG designed the International Reconstruction Fund Facility for Iraq (IRFFI). IRFFI aims to help donors channel their resources and coordinate their support for reconstruction and development activities in Iraq in line with the priorities identified in the Joint Needs Assessment and validated by Iraqi authorities. The World Bank and UN designed the structure, governance, and modalities of IRFFI in close consultation with the Core Group, other donors, and Iraqi national authorities over the period August through December 2003 at meetings held in Washington D.C., Brussels, New York, Dubai, Madrid, and Amman.
4. The IRFFI facility encompasses two trust funds: the World Bank Iraq Trust Fund (ITF) administered by the World Bank, and the UN Development Group Trust Fund (UNDG Trust Fund) administered by the United Nations Development Program (UNDP) on behalf of itself and participating UN organizations. The IRFFI structure is designed to promote close cooperation and avoid duplication by providing a common governance structure.

B. THE WORLD BANK IRAQ TRUST FUND

5. **ITF Effectiveness.** On January 29, 2004, the World Bank Board of Executive Directors approved the World Bank to act as Administrator of the ITF. The ITF became effective upon receipt of the first deposit, on March 30, 2004. Since then, 17 donors have deposited about US\$465 million in the ITF.
6. **Eligible Sectors.** The ITF finances eligible operations in all sectors and cross-cutting themes identified in the Needs Assessment, with the exception of mine action, and with particular emphasis on areas where the World Bank has comparative advantage. The ITF does not finance quick-disbursing Government budget recurrent expenditures or humanitarian relief, nor does it finance peacekeeping efforts, or other security, military, or political interventions. ITF resources are dedicated to specific reconstruction and rehabilitation projects to be implemented by Iraqi institutions, and training/technical assistance programs designed to increase institutional capacity.

7. **Recipients.** Recipients of grants from the ITF need to meet the World Bank's eligibility criteria, including financial viability. Recipient entities responsible for implementing activities financed from the ITF can include: Iraqi ministries, governorates and municipalities, private entities, NGOs, UN agencies, or international financial institutions.

8. **Emphasis on Iraqi Ownership.** The ITF emphasizes Iraqi ownership and building Iraqi institutional capacity. Unlike other donors, World Bank-financed programs, including those financed by the ITF, are implemented by Iraqi institutions with the goal to enhance knowledge transfer (e.g. current international standards for procurement, financial management and governance). This approach is critical in order to assist Iraq to develop institutional policies and systems that can be leveraged by all donors, and will promote the more effective use of all donor funds as well as Iraq's own resources.

9. The process for selecting projects to be financed by the ITF has been designed to ensure Iraqi ownership from the earliest stage. Under the ITF, potential grant recipients, in consultation with World Bank staff, submit project proposals for approval to the Iraqi Strategic Review Board (ISRB). The ISRB determines whether proposals are consistent with priority needs and ensures coordination among donor programs. Following ISRB approval, the World Bank proceeds to appraise the project. For satisfactorily appraised operations, the World Bank, as the ITF Administrator, and the recipient negotiate and sign a Grant Agreement. The Grant Agreement spells out the terms and conditions under which funds will be provided to the recipient entity, and governs the actual use and disbursement of funds. It specifies measurable indicators to monitor implementation progress. It also contains detailed financial management, procurement, monitoring, and other fiduciary arrangements to ensure that funds are used for eligible expenditures.

ANNEX 2: PROJECT STATUS SHEETS

FIRST CAPACITY BUILDING PROJECT (COMPLETED)

Grant Amount: US\$3.6 million

Disbursed: US\$2.5 million

Effectiveness Date: February 2004

Closing Date: August 2004

Implementing Entity: World Bank

Strategic Context and Donor Coordination:

The project was designed to respond to the immediate and most urgent training needs of the Iraqi public sector staff. The activities undertaken were agreed upon by the Ministry of Planning and Development Cooperation and the various ministries concerned, and focused on priority areas for Iraq's development agenda and the preparation and implementation of the World Bank Iraq Trust Fund-financed projects. The European Commission's Rapid Response Mechanism (EC-RRM) provided €3 million for a six-month implementation period, with no extension of the closing date.

Project Objective and Description:

The overall aim of the project was to build the capacity of the Iraqi authorities to enable them to participate effectively in the definition and prioritization of international programs of support and to play a leading role in the reconstruction process.

Geographic Coverage: Nationwide

Beneficiaries:

The project focused on the immediate need for Iraqi ministries to become familiar with prioritizing, designing and executing development projects. Overall it benefited over 550 officials from various ministries and local institutions.

Project Components and Costs:

1. Training on managing the project cycle (procurement, financial management, project management, and safeguards)
2. Sector-specific training for line ministries
3. Training for private sector capacity enhancement.

Implementation Status

During the life of the project, twenty-two activities were completed and 581 Iraqis from 19 ministries were trained (coming from the Central Bank, the Mayoralty of Baghdad, the Supreme Audit, various, universities, private banks, Chambers of Commerce and Business Associations). The objectives were achieved and enabled the Iraqi officials to design and implement projects and start developing sector strategies towards meeting the MDGs. Participation in study tours and workshops helped Iraqi officials develop professional networks with counterparts in other ministries and neighboring countries.

*Building the Right Framework for and
Managing the Challenges of Economic
Development and Growth Workshop
(Granada, 2004)*



SECOND CAPACITY BUILDING PROJECT

Grant Amount: US\$7 million

Disbursed to-date: US\$4.6 million

Contracted to-date: US\$4.6 million

Effectiveness Date: November 2004

Closing Date: August 2009

Implementing Entity: World Bank

Strategic Context and Donor Coordination:

The Second Capacity Building Project (CB2) builds on the First Capacity Building Project, with a focus on helping Iraq build the institutional capacity to use its resources transparently and effectively. CB2 finances specific technical assistance and training activities designed to help the authorities tackle medium-term economic reforms. Many activities are carried out jointly with other donors, including the IMF, UN, and DFID.

Project Objective and Description:

The project aims to strengthen economic management and build institutional capacity needed to enable Iraq to shift to a diversified, market-driven economy; promote the effective use of public resources, including Iraq's own resources as well as international aid; and improve the efficiency, effectiveness, and quality of public services.

Geographic Coverage: Nationwide

Beneficiaries:

The project directly benefits Iraqi officials, and helps introduce crucial institutional strengthening and reform initiatives. Participants include staff of various ministries and local institutions as well as the private sector.

Project Components:

1. Economic reform and transition
2. Poverty, social protection, & social development
3. Public sector management
4. Managing the project cycle

Implementation Status

The Second Capacity Building Project has financed about 52 activities, reaching about 1,000 participants from various private and public sector entities.

During the first half of 2007, the project financed a set of workshops focused on building the capacity of regional and provincial governments to improve public financial management (PFM) in Iraq. The workshops assisted the Kurdistan Regional Government and southern and central governorates to determine their own priorities and develop action plans to improve sub-national PFM.

In August 2007, the project financed an Auditing and Accounting workshop, which brought together officials from the Board of Supreme Audit (BSA) and equivalent Kurdish bodies to understand key actions necessary to strengthen the BSA and audit practice in Iraq. The workshop focused on three areas: (i) Risk-based Auditing; (ii) Audit and Decentralization; and (iii) Social Accountability. The workshop discussed the BSA's Training Plan for 2007 as well as its Strategic Plan for 2007-2010.

A workshop for staff of the Iraqi Higher Judicial Council took place in December 2007. The workshop targeted 15 staff to participate in a "twinning" arrangement with the Dubai courts. Iraqi court personnel spent between 1-6 weeks shadowing their counterparts within the Dubai court system, to study the Dubai's successful personnel and the caseload management systems. The Iraqis gained practical experience on a variety of court management issues, and used the experience to help develop a framework for the future of Iraq's courts. The Iraqi

participants presented their plans for improved management of their judiciary to members of the Iraqi Higher Judicial Council, as well as to donor representatives at the workshop.

Major Implementation Obstacles:

Evaluation forms completed by participants demonstrate that the workshops financed through the Second Capacity Building Project are valuable to participants. While it would be beneficial to conduct more workshops within Iraq, and the World Bank has sponsored some workshops in Erbil and in Baghdad, it remains difficult to gather a large number of participants in one place in Iraq for extended, intensive work. Each proposed activity is evaluated based on the timing, level of participation, length of workshop, and costs, in order to balance the competing priorities and ensure that the workshop can meet its objective in a cost effective manner.

EMERGENCY TEXTBOOK PROVISION PROJECT (CLOSED)

Grant Amount: US\$40 million **Funds Disbursed:** US\$ 38.8 million

Effectiveness Date: May 2004 **Closing Date:** December 2006

Implementing Entity: Ministry of Education (MoE)

Strategic Context and Donor Coordination:

The US and UN (UNESCO and UNICEF) undertook emergency efforts to provide textbooks for the 2003/2004 school year, typically contracting the printing and distribution of textbooks with primarily international firms. For the 2004/2005 school year, the MoE requested the World Bank to help it undertake the printing and distribution of textbooks. Since 2006, MoE has used its own resources to finance textbook provision. The project provided a platform for the World Bank to support the ministry in developing a strategic framework and a donor coordination strategy for education in Iraq.

Project Objective and Description:

The project aimed to provide urgently needed textbooks in order to keep schools open, and to improve conditions of learning in primary and secondary schools.

Geographic Coverage:

Nationwide

Beneficiaries:

The project benefited all 6 million primary and secondary school pupils, who received 11 books each on average.

Near-Term Employment Creation:

The project was designed to maximize local content and employment by contracting local printers to the maximum extent possible, taking into consideration the quantity of paper available in Iraq. Contracts to Iraqi printers amounted to US\$14 million; and an estimated US\$7.5 million was spent on local labor costs.

Project Components and Costs:

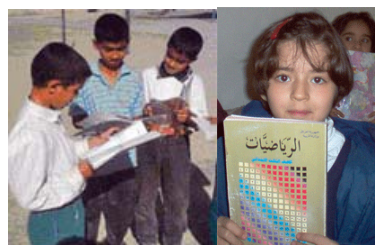
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|--|------------------|
| 1. Textbook Provision: | US\$39.5 million |
| 2. Project Management and Capacity Building: | US\$0.5 million |

Project Costs by Type of Expenditure:

- | | |
|----------------------|------------------|
| Goods (Textbooks): | US\$37.5 million |
| Other goods: | US\$0.2 million |
| Consulting services: | US\$0.4 million |

Implementation Status:

The project closed on December 31, 2006. Competitive bidding procedures led to cost savings of about US\$9 million, which were used to print and distribute an additional 13.5 million textbooks for the 2005/2006 school year. Therefore, the project exceeded its main development objective, financing the printing and distribution of more than 82 million textbooks (16% more than initially estimated).



EMERGENCY SCHOOL CONSTRUCTION AND REHABILITATION PROJECT

Grant Amount: US\$60 million **Disbursed to-date:** US\$16.9 million
Committed to-date: US\$37.8 million

Effectiveness Date: October 2004 **Closing Date:** June 2009

Implementing Entity: Ministry of Education (MoE)

Strategic Context and Donor Coordination:

The MoE Situation Analysis, building on the UN/World Bank Joint Needs Assessment, identified almost US\$700 million in urgent repair and reconstruction needs over three years: over 12,000 schools (over 80%) require repair, including 2,300 that require minor repair, 9,400 that require major repair, and around 1,300 that need to be demolished and rebuilt. A gap of more than 3,000 schools causes schools to hold double and triple shifts. The World Bank, the UN, and the US are the main donors supporting education, and continue to coordinate their efforts. The US focused initially on minor rehabilitation; the UN supports both minor and major rehabilitation. The World Bank is the only donor working through Iraq's MoE and the only donor financing major new school construction in a significant manner.

Project Objective and Description:

The project aims to alleviate severe school building hazards by constructing new schools to replace unsafe or overcrowded facilities, and by rehabilitating schools needing urgent repair.

Geographic Coverage:

Nationwide (both construction and rehabilitation will take place in all 18 governorates)

Beneficiaries:

The project benefits over 50,000 families with children attending primary and secondary schools. It directly benefits about 75,000 pupils (about 7% of pupils in overcrowded or damaged schools.) Construction of new buildings will provide spaces for 20,000 students in primary and secondary schools, and benefit a further 10,000 students by eliminating multiple school sessions. The rehabilitation of schools will directly benefit 45,000 students.



Near-Term Employment Creation:

The project maximizes local content by using Iraqi firms for design, construction, and construction supervision. The project expects to generate over 6,000 job opportunities, over half of which are underway through ongoing reconstruction work.

Project Components and Costs:

1. School Construction/Rehabilitation: US\$58.6 million
 - (a) Construction of 56 schools: US\$48.4 million
 - (b) Rehabilitation of 133 schools: US\$7.6 million (Complete)
2. Project Management and Capacity Building: US\$1.4 million

Project Costs by Type of Expenditure:

Civil works: US\$56.1 million
Goods: US\$0.4 million
Consulting services: US\$2.5 million (95 % local consultants)

Implementation Status:

Major rehabilitation of 133 schools is complete, at an average cost of US\$181 per student, benefiting 45,000 pupils and creating 3,000 construction jobs.

Local firms designed new schools, prepared bidding documents, and supervise the civil works. The construction of 2 schools has been completed and 28 new schools are underway. Construction of an additional 26 schools should start between January and March 2008. The number of new schools to be financed under the project has been reduced from 110 to 56 because of price escalation and the appreciation of the Iraqi dinar.

**Major Implementation Obstacles:**

Project implementation is affected by the ongoing security situation, which can impede movement, create hardship for contractors and project management staff, and make some project sites temporarily unreachable. A lack of institutional capacity and/or appropriate delegation of authority can delay project processing and decision-making in the ministry. Payment delays, caused by a lack of liquidity in the project account, an inefficient and immature local banking network, and contractors' providing inconsistent payment instructions on contracts and invoices, has led to construction delays. To offset some problems caused by the lack of liquidity and local banking impediments, the World Bank is requesting its senior management to approve the establishment of a "designated account"—an advance account, to be financed by grant funds—which would be replenished upon documentation that funds have disbursed for eligible expenses. The creation of a designated account would be an exceptional disbursement method, to be piloted with the Emergency School Construction and Rehabilitation Project. Finally, the appreciation of the Iraqi dinar and price increases over time have reduced the number of new schools that can be constructed within the available grant financing.

SUPPLEMENTAL GRANT FOR MARSHLAND SCHOOLS

Grant Amount: US\$6 million **Disbursed to-date:** US\$0.0 million
Committed to-date: US\$5.1 million

Effectiveness Date: October 2006 **Closing Date:** June 2009

Implementing Entity: Ministry of Education (MoE)

Strategic Context and Donor Coordination:

The supplemental financing for Marshlands Schools emphasizes local stakeholder involvement, using NGOs to mobilize and train local school/community committees to undertake small site improvement works in each school site. The project is implemented by the three governorates concerned, under the overall guidance of the Project Management Team in Baghdad. The World Bank, the UN, and the US are the main donors supporting education and are coordinating their efforts.

Project Objective and Description:

The grant provides additional funding for the Emergency School Construction and Rehabilitation Project to construct approximately 36 new schools in the Marshland areas.

Geographic Coverage: Marshland Areas of Southern Iraq (Basra, Thi-Qar and Missan)

Beneficiaries:

The construction of approximately 36 small schools will benefit 6,000 - 8,000 children and help stabilize the resettlement of about 36 communities in existing villages.

Near-Term Employment Creation:

The project will create over 90,000 man-days of construction work.

Project Components and Costs:

- | | |
|--|-----------------|
| 1. School Construction: | US\$4.4 million |
| 2. Capacity Building for Local Stakeholders: | US\$0.2 million |
| 3. Project Management and Capacity Building: | US\$0.1 million |

Project Costs by Type of Expenditures:

Civil works:	US\$5.2 million
Small works and incidental services:	US\$0.2 million
Consulting services:	US\$0.5 million
Training:	US\$0.05 million
Operating costs:	US\$0.08 million

Implementation Status:

Project implementation is largely on track, with construction of 33 schools contracted and construction being initiated at several sites. The first schools to be constructed are expected to be completed by summer 2008 and open in time for the 2008/2009 school year. NGOs have been identified for the community training and management of the site improvement grants.



Major Implementation Obstacles:

The appreciation of the Iraqi dinar and price increases have resulted in the decision to hold back on the award of about three contracts, and may reduce the number of new schools that can be constructed within the available grant financing. The Marshlands Schools project, while slow at first, does not suffer from any additional project specific implementation problems.

Monitoring and Implementing a Satellite Imagery System.

The images shown below provide some examples. The system involves:

- “Ground-truthing” work in the field, undertaken by Iraqi consultants;
- Remote sensing work, through obtaining high resolution images by “Quick Bird” Satellite; and
- Image processing and interpretation in Amman, calibrated by field work in Iraq.

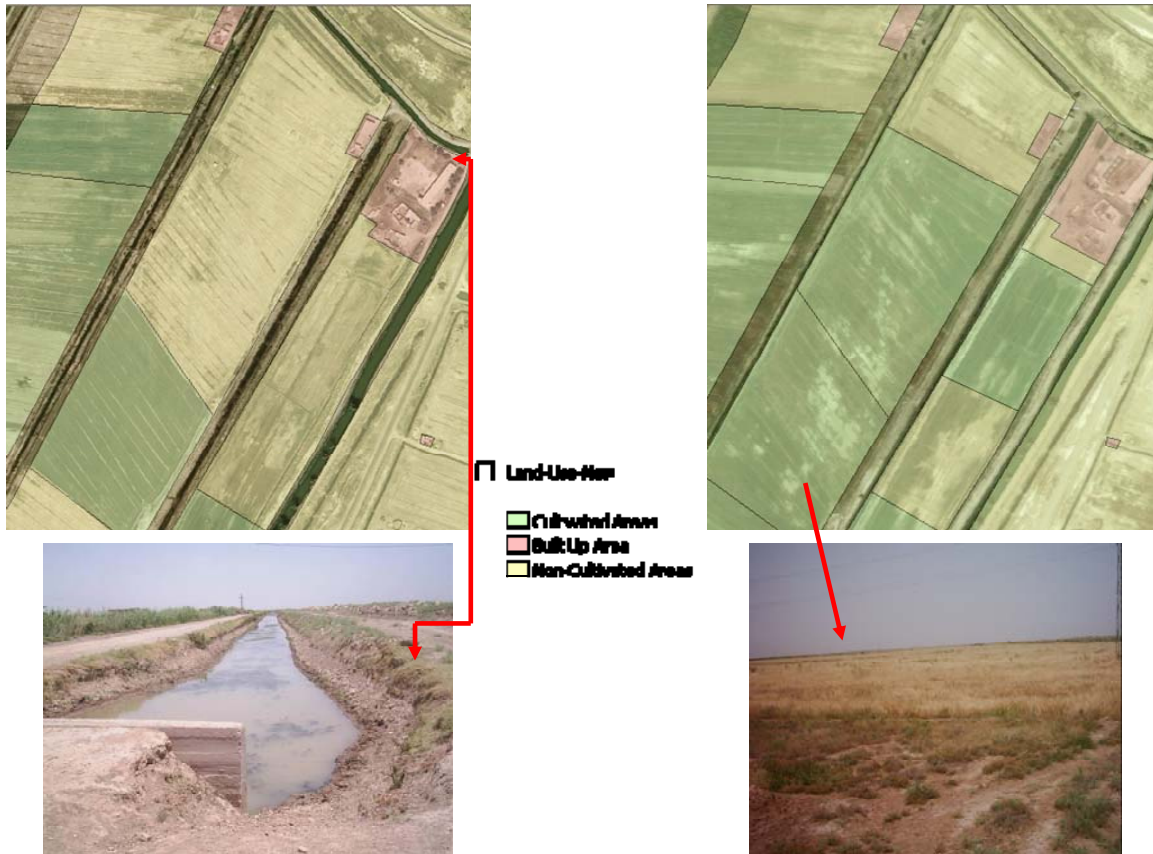


Image 2: Extracted features show the difference between the before-ECIRP (left hand) and after-ECIRP (right hand) satellite acquisitions

Major Implementation Obstacles:

The project is progressing well and is nearly complete. The project benefited from being located in rural areas, which are less affected by security “hots spots”, and a committed and stable Project Management Team. The project was not affected by difficulties in making payments in dinars since contracts were denominated in dollars.



EMERGENCY WATER SUPPLY, SANITATION, AND URBAN RECONSTRUCTION PROJECT

Grant Amount: US\$110 million

Disbursed to-date: US\$18.6 million

Committed to-date: US\$70.8 million

Effectiveness Date: December 2004

Closing Date: December 2009

Implementing Entity: Ministry of Municipalities and Public Works (MoMPW)

Strategic Context and Donor Coordination:

The Joint UN-World Bank Needs Assessment estimated total needs for rehabilitation and reconstruction of water supply and sanitation facilities to be about US\$6.8 billion over four years. The World Bank worked closely with the MoMPW to identify project components, which were coordinated with the work of the US, DFID (in the south), and UN agencies (in the north). Bank-administered financing is implemented by the MoMPW to help ensure Iraqi ownership and build Iraqi institutional capacity. The World Bank's interventions are carefully designed for sustainability (e.g. new water treatment units are accompanied when necessary by distribution network rehabilitation). The World Bank meets regularly with other major donors, and collaborates closely with the Japan Bank for International Cooperation, including launching joint missions, to identify joint and complementary financing opportunities for future projects.

Project Objective and Description:

The project aims to help restore basic water supply and sanitation services and urban services in the poorest areas of the country, choosing subprojects that will have high impact. The project originally financed water supply and sanitation rehabilitation in nine cities, and rehabilitation of urban infrastructure in three cities.

The project was restructured in January 2007 and the grant amount was increased from US\$90 million to US\$110 million to cover price increases, while maintaining the original project objectives. Following the restructuring, the project finances water supply and sanitation services in five cities instead of the original nine cities, and the rehabilitation of urban infrastructure in three cities, as originally planned.

The project will create vitally-needed short-term employment and strengthen Iraq's capacity to manage large-scale reconstruction projects. The resulting improvement in water supply and sanitation services will also help reduce the incidence of waterborne diseases, which are a major contributor to infant and child mortality.

Geographic Coverage:

Water Supply/Sanitation in five municipalities: Karbala, Majar, Al Hussainia, Al-Samawa, and Badawa (Erbil).

Complementary urban upgrading in two of the municipalities: Karbala and Badawa.

Beneficiaries:

The rehabilitation financed under the project will bring significant health and welfare benefits to approximately 1 million people in five municipalities.

Near-Term Employment Creation:

The project will create substantial employment—a minimum of 3,000 short-term jobs—through construction contracts awarded to Iraqi firms.



Project Components and Costs:

MoMPW and the World Bank agreed to restructure the project to accommodate higher market prices that had been estimated during project preparation. The restructured project includes the following components:

1. Rehabilitation and upgrading of water systems in City of Karbala, Majar, Al-Hussainia, Al-Samawa, Badawa: US\$78.3 million
2. Urban rehabilitation in Badawa: US\$23.8 million
3. Capacity Building and Technical Assistance (including consulting services to prepare final designs and tender documents and for construction and implementation supervision): US\$7.9 million.

Project Costs by Type of Expenditure:

Civil works: US\$102 million
Consulting services: US\$8 million (60% local)

Implementation Status:

The project has experienced a significant increase in pace in the last quarter of 2007. Project commitments are currently US\$71 million (65% of the grant amount), disbursements are \$19 million, and the quality of the works under implementation is good.

The ministry support from Japan through a PHRD grant, is preparing a comprehensive National Water Supply and Wastewater Sector Study. The study aims at enhancing water supply and wastewater services in Iraq and will include: (i) appropriate sector strategies and policy options for restructuring sector institutions;(ii) a medium-term investment program to enhance current services; (iii) an emergency plan for efficient asset management; and (iv) an indicative sector-wide financing plan.

**Major Implementation Obstacles:**

Project implementation is affected by the ongoing security situation, which impedes movement, creates hardship for contractors and project management staff, and makes some project sites temporarily unreachable. A lack of institutional capacity and/or appropriate

delegation of authority can delay project processing and decision-making in the ministry. Despite initial lingering implementation delays, following the restructuring of the project, implementation speed has increased and many of the long-standing obstacles have been resolved.

Project Costs by Type of Expenditure:

Civil works and goods: US\$56 million

Consulting services: US\$9 million

Implementation Status:

Project implementation continues to move at a slow pace. While MOB has awarded direct contracts for the supply of pumps, valves and spare parts, it has not been able to award any works contracts. Given the poor implementation record of this project, it looks increasingly unlikely that the development objectives can be achieved by the closing date of July 31, 2009. Therefore, the World Bank has recommended the restructuring of the project, including canceling the remaining uncommitted funds from this project, while honoring all on-going commitments.

Major Implementation Obstacles:

Project implementation is affected by the ongoing security situation, which impedes movement, creates hardship for contractors and project management staff, and makes some project sites temporarily unreachable. In addition to the extraordinarily difficult environment in Iraq and particularly in Baghdad, there are several implementation impediments including inadequate staffing of the Project Management Team, leading to an inability to manage project activities in a timely manner; the exceptionally long time to complete bid evaluation and negotiate contracts; and the lagging performance of the consultants in completing their assignments in a timely fashion.

EMERGENCY HEALTH REHABILITATION PROJECT

Grant Amount: US\$25 million

Disbursed to-date: US\$8.4 million

Committed to-date: US\$14.4 million

Effectiveness Date: November 2004

Closing Date: February 2010

Implementing Entity: Ministry of Health

Strategic Context and Donor Coordination:

The estimated reconstruction needs of the health sector range from US\$3 to US\$4.6 billion. The US and Japan are the largest donors to the health sector, focusing on major construction and reconstruction of hospitals and health centers. Donor coordination at the policy level is carried out by WHO.

Project Objective and Description:

The project aims to improve access to quality emergency services in selected health facilities in order to serve the urgent needs of the Iraqi population. The project finances: (i) rehabilitating priority emergency services, including emergency obstetric care and the urgent provision of basic medical and laboratory equipment in 9 hospitals; (ii) providing of a 3 to 6 month supply of up to 37 essential emergency drugs to be used at the rehabilitated emergency facilities; (iii) efforts to strengthen planning and management capacity within the central and governorate health administrations; and (iv) project management.

While the original plan was to rehabilitate 12 hospitals, the number has been reduced to 9 hospitals due to a number of factors, including: (i) the government decision to mobilize its own resources for some sites; (ii) the difficult security situation in some locations; and (iii) the effect of price increases.

Geographic Coverage:

Currently 9 governorates in the north, center, and south of Iraq: Baghdad, Kirkuk, Missan, Karbala, Salah Deen, Erbil, Sulaimanyiah.

Beneficiaries:

About 13 million Iraqis live within the areas serviced by the emergency health units to be rehabilitated. From this population, an estimated 100,000 people will use the emergency health services per year.

Near-Term Employment Creation:

While creating immediate employment is not a direct project objective, the project will create an estimated 1,000 short-term jobs through civil works undertaken by local construction companies.

Project Components and Costs:

- | | |
|--|------------------|
| 1. Rehabilitation of hospitals and provision of basic equipment: | US\$21.4 million |
| 2. Provision of essential emergency drugs: | US\$2.9 million |
| 3. Capacity building and training: | US\$1.7 million |
| 4. Support to project management: | US\$0.9 million |

Project Costs by Type of Expenditure:

Civil works:	US\$12.6 million
Goods:	US\$8.5 million
Consulting services:	US\$1.6 million (90 % for local firms)
Training:	US\$1.8 million
Operating costs:	US\$0.5 million

Implementation Status:

The rehabilitation of four hospitals is complete, with two hospitals formally handed over to the respective health directorates. Rehabilitation works are underway for three hospitals, and expected to be complete in March 2008. Procurement is underway for the remaining two sites. Medical equipment (cardiac equipment, ventilators, resuscitation and operating equipment) has been delivered to all hospitals except Baquba General Hospital, and the procurement of radiography equipment is under evaluation. The distribution of nearly US\$1.3 million of emergency drugs is underway, and another US\$2 million of drugs have been contracted with WHO.

Twenty-two doctors have been trained in Emergency Preparedness and Response through workshops organized by the University of Maryland held in Cairo, Egypt.

Given the slow pace of implementation, particularly for civil works, project activities that have not yet been initiated may not be able to be completed by the closing date. Therefore, the World Bank has recommended that MOH cancel non-performing activities, revise the project objectives, and possibly reallocate any released funds to priority areas that could be implemented during the remaining period.



Ritzgary Emergency Unit in Kurdistan



Rehabilitated Emergency Unit (Ritzgary)

Major Implementation Obstacles:

Project implementation is affected by the ongoing security situation, which impedes movement, creates hardship for contractors and project management staff, and makes some project sites temporarily unreachable. The appreciation of the Iraqi dinar has exacerbated cost increases and forced a review of the scope of the works. The MOH and the PMT continue to suffer from instability and a serious lack of institutional capacity that impedes their ability to provide sustained project implementation oversight and maintain effective policy dialogue with the World Bank, which would help ensure collaboration on actions to be taken to maximize the possibility that the project meet its development objectives.

EMERGENCY DISABILITIES PROJECT

Grant Amount: US\$19.5 million

Disbursed to-date: US\$1.5 million

Committed to-date: US\$4.4 million

Effectiveness Date: November 2005

Closing Date: September 2009

Implementing Entity: Ministry of Health

Strategic Context and Donor Coordination:

Iraq has a growing population of disabled people, yet social and rehabilitation services for this group have declined. Given the country's high unemployment rates and poor community services, becoming disabled poses a serious risk that the entire family could fall into poverty. Improving services to the disabled is a government priority that requires increased attention of the government and the donor community.

Project Objective and Description:

The project aims to improve the delivery of rehabilitation and prosthetic services in order to reduce the burden of physical disability. Specifically, the project supports: (i) developing a national policy on disabilities; (ii) increasing the capacity of Iraqi institutions and other stakeholders to meet the needs of disabled persons; (iii) strengthening partnerships between the government and civil society to provide services to disabled persons; and (iv) upgrading the infrastructure and equipment of selected rehabilitation and prosthetic centers throughout Iraq.

Geographic Coverage:

The project finances the rehabilitation of eight centers in eight governorates. While the scope of the project originally included 14 centers, four centers were renovated through other resources and the construction of two centers was cancelled due to the deteriorating the security situation in those areas. (MOH will finance construction of the two centers in the future from other sources.) Savings from cancelled sites will cover unanticipated cost overruns resulting from the appreciation of Iraqi dinar, the increased scope of works required by the MOH, and additional costs due to the current security situation.

Beneficiaries:

The project will directly benefit an estimated 250,000 persons with physical disabilities who would otherwise not have access to the quality rehabilitation services needed for leading a productive life. The project will also benefit the estimated 1.4 million family members of disabled persons.

Near-Term Employment Creation:

Although creating immediate employment is not a project objective, the project will generate short-term jobs through civil works undertaken by local construction companies.

Project Components and Costs:

- | | |
|--|------------------|
| 1. Policy Development and Partnerships: | US\$0.8 million |
| 2. Delivery of Services to Disabled Persons: | US\$18.0 million |
| 3. Project Management: | US\$0.7 million |

Project Costs by Type of Expenditure:

Civil works:	US\$4.8 million
Goods:	US\$11.3 million
Consulting services:	US\$1.9 million
Training:	US\$1.3 million
Operating costs:	US\$0.2 million

Implementation Status:

While designs for all 8 rehabilitation centers are complete, only one site has been tendered. Although bidding documents for 4 other sites have been prepared, the World Bank has withheld its “no objection” due to pending decision on project restructuring. Based on the implementation experience with the Emergency Health Rehabilitation Project, it seems unlikely that the civil works can be completed within the remaining lifetime of the project.

The procurement of medical aids and equipment has encountered delays due to the prolonged registration process in the MOH and lack of capacity in the MOH to prepare the technical specifications, in spite of technical support provided by an international specialist contracted by the World Bank.

Training and capacity building activities have been progressing relatively well. In September 2006, Ministry officials participated in a study tour to Bosnia to gain experience from a similar Bank-financed project that had a successful outcome. A program to train 35 technicians on prostheses and orthoses is progressing. Other training activities include: (i) management training for 16 managers of rehabilitation centers throughout Iraq (September 2007), (ii) physiotherapist training for 70 physiotherapists (September-December 2007); (iii) hospital-based physicians training for 20 specialized physicians (in November -December 2007).

Major Implementation Obstacles:

Project implementation is affected by the ongoing security situation, which impedes movement, creates hardship for contractors and project management staff, and makes some project sites temporarily unreachable. The appreciation of the Iraqi dinar has exacerbated cost increases and forced a review of the scope of the works.

The MOH and the PMT continue to suffer from instability and a serious lack of institutional capacity that impedes the ability to provide sustained project implementation oversight and maintain an effective policy dialogue to help ensure collaboration on actions to be taken to maximize the possibility that the project meet its development objectives.

Given the slow pace of implementation, project activities that have not yet been initiated may not be able to be completed by the closing date. Therefore, the World Bank has recommended that MOH cancel non-performing activities, revise the project objectives, and possibly reallocate any released funds to priority areas that could be implemented during the remaining period.

EMERGENCY PRIVATE SECTOR DEVELOPMENT PROJECT

Grant Amount: US\$55 million

Disbursed to-date: US\$4.4 million

Committed to-date: US\$55.0 million

Effectiveness Date: December 2004

Closing Date: June 2009

Implementing Entities:

Ministry of Planning and Development Cooperation (MOPDC) and Iraqi Telecommunications and Post Company (ITPC)

Strategic Context and Donor Coordination:

The telecommunication components of the project were designed to complement assistance provided by JICA and by the U.S. work on the payment system. The private sector components were conceived in consultation the Iraqi private sector, the main donor agencies, and the private sector agenda continues to be coordinated with USAID, DFID, the EC, and UNIDO.

Project Objective and Description:

The project aims to help Iraq strengthen its institutional capacity and build essential communications infrastructure to help foster the development of the private and financial sectors, and increase investment and economic growth. Communications infrastructure will be improved through the installation of a national high capacity telecommunications network and a communications platform to link the Central Bank to commercial banks in the country.

Geographic Coverage:

The communications infrastructure will cover Baghdad, the north, the south and the west regions. Private sector development components would benefit private enterprises and organizations throughout the country. In addition, two industrial estates studies will be undertaken for Erbil in the north (in coordination with the Kurdistan Regional Government) and Basra in the south.

Beneficiaries:

The project has national coverage, benefiting every Iraqi and business, by financing Iraq's national communications backbone.

Near-Term Employment Creation:

Installation of telecommunications infrastructure will create at least 1,000 short-term jobs. More importantly, the national communications backbone will create thousands of jobs through downstream communications companies, and will help enable private sector development.

Project Components and Costs:

- | | |
|--|------------------|
| 1. Develop enabling public institutions that support the private sector: | US\$6.8 million |
| 2. Improve the competitiveness of Iraqi private firms by improving their ability to access finance and foreign markets: | US\$5 million |
| 3. Build reliable Interbanking Network to connect key parts of the Central Bank's payments and settlements system: | US\$3 million |
| 4. Build a high capacity national microwave backbone communications network supporting corporate needs and develop the capacity to operate it efficiently: | US\$39.5 million |
| 5. Finance project management: | US\$0.7 million |

Project Costs by Type of Expenditure:

Goods and civil works: \$42.5 million

Consulting services: \$12.2 million

Implementation Status:

The installation of the national telecommunications network is underway, after suffering initial delays in the bid evaluation process and in the issuing of the Letter of Credit. Iraqi labor, supervised by an international supplier, will install the telecommunications infrastructure. Contracts for the public institution and competitiveness components, as well as the payment systems component have recently been awarded. International and local consultants will deliver technical assistance under the private sector development components, although most contracts require local participation during implementation and emphasize the importance of building local capacity.

Major Implementation Obstacles:

The major implementation impediment affecting the Emergency Private Sector Project is the depreciation of the US dollar relative to the Euro, since the major contract for the supply and installation of the telecommunications infrastructure is denominated in Euros (€30.4 million). The increases in costs have prompted the implementing agencies to request supplemental financing of US\$8 million to ensure the project can be completed and achieve its development objective.

EMERGENCY ELECTRICITY RECONSTRUCTION PROJECT

Grant Amount: US\$6.0 million

Disbursed to-date: US\$0.0 million

Committed to-date: US\$0.5 million

Effectiveness Date: April 4, 2007

Closing Date: September 2010

Implementing Entity: Ministry of Electricity of the Republic of Iraq (MoE)

Strategic Context and Donor Coordination:

The Emergency Electricity Reconstruction Project, financed by a US\$124 million IDA credit and a US\$6 million Iraq Trust Fund (ITF) grant, aims to help Iraq restore and improve electricity supply. The 2003 Joint Needs Assessment estimated Iraq's electricity reconstruction needs at US\$35.8 billion. The US, Japan, UK, and UNDP have pledged substantial contributions. The electricity sector is a priority sector of Iraq's National Development Strategy and the International Compact with Iraq, which includes elements of MoE's Master Plan for 2006-2015. Donor coordination among UNDP, CIDA, DFID and World Bank takes place formally twice per year.

Project Objectives and Description:

The objectives of the project are to: (i) alleviate the power supply shortfall by restoring the base load generation capacity of the Hartha Power Station Units 2 and 3 to 400 MW; and (ii) strengthen in-house capacity for improved power system planning and fuel supply in Iraq. The project aims to provide current to approximately 1 million households and grid-connected industrial consumers for a period of 20 years. The ITF-grant finances consultant support and training of Iraqi MoE officials in the preparation of least cost reconstruction and expansion plans, feasibility studies and advisory services for future projects.

Geographic Coverage:

Southern Iraq (Hartha Power Plant) and nationwide (national power grid and MoE capacity).

Beneficiaries and Output:

Direct beneficiaries of the grant are MoE staff, whose skills will be upgraded in technical areas of operations, maintenance and planning, environment and general project management, as well as in financial, legal and general management aspects of power utilities. Indirectly, all power consumers will benefit from improved efficiency and more stable power supply.

Project Components and Costs:

1. Rehabilitation of Hartha Power Station Units 2 and 3, engineering services, environmental mitigation measures and support to the MoE Project Management Team:
US\$124 million (IDA credit)
2. Institutional Support and Technical Assistance: US\$6.0 million (ITF grant)

Project Costs by Type of Expenditure of the Grant:

Goods:	US\$0.5 million
Consulting services:	US\$3.5 million
Operating costs:	US\$1.0 million
Price and physical contingencies:	US\$1.0 million

Implementation Status:

Procurement is well advanced—consultant contracts for assistance in bid evaluation and the completion of the Environmental and Social Impact Assessment of the rehabilitation works have been awarded. Selection of a consultant to conduct a feasibility study for a natural gas power plant is underway and a training plan for MoE staff is being prepared.

Major Implementation Obstacles:

The major impediment for the Emergency Electricity Project is a lack of institutional capacity within the MoE, as ministry staff has been overstretched and occupied with other pressing issues.

EMERGENCY HOUSEHOLD SURVEY & POLICIES PROJECT

Project Amount: US\$6.6 million

Disbursed to-date: US\$3.8 million

Committed to-date: US\$3.4 million

Effectiveness Date: July 2006

Closing Date: September 2009

Implementing Entity:

The Emergency Household Survey and Policies for Poverty Reduction Project comprises two grants: US\$5.1 million implemented by the Ministry of Planning and Development Cooperation (MOPDC) and the Statistics Agency of the Kurdish Regional Government, and US\$1.5 million for technical assistance support, implemented by the World Bank at the request of MOPDC.

Strategic Context and Donor Coordination:

The project directly supports helping Iraq build efficient, inclusive, transparent, and accountable institutions, in line with the International Compact with Iraq. The project finances the first nation-wide expenditure survey since 1988, and aims to update a UNDP-sponsored survey, completed in 2004. The survey was carefully coordinated with UNICEF's household survey by including the same households, which will allow the merging of the two survey data sets. In addition to updating many indicators from the UNDP-sponsored survey, the Emergency Household Survey also adds detailed income and expenditure data that are needed to evaluate poverty levels and set the CPI.

Project Objective and Description:

The project aims to strengthen Iraq's ability to establish a poverty line, target social assistance to the neediest, and make informed policy decisions. It finances a comprehensive household survey, data analysis, and poverty and social impact assessments.

Geographic Coverage: Nationwide.

Near-Term Employment Creation:

To supplement the existing MOPDC staff, 324 consultants were engaged to conduct the survey and analyze data.

Project Components and Outputs:

1. Collect and analyze data on poverty and unemployment: US\$4.8 million
2. Assess the effect of economic policy options on poverty and employment, including the impact of sequencing reforms and policies: US\$0.7 million
3. Develop information-based strategies to reduce poverty, generate employment, and improve the functioning of social safety nets: US\$0.6 million

Project Costs by Type of Expenditure:

Goods:	US\$0.7 million
Consulting services:	US\$3.1 million
Operating costs:	US\$1.1 million
Technical assistance:	US\$1.5 million

Implementation and Status:

A twelve month cycle of fieldwork, covering about 18,000 households in all 18 governorates will be completed in January 2008. Analysis of the data is underway and the inter-ministerial Iraqi team is



organizing to develop the Strategy for Poverty Reduction, Employment Generation and Safety Nets.

Major Implementation Obstacles:

While the ongoing security situation in Iraq can impede movement and create hardship for contractors, these difficulties were mitigated by employing local interviewers to conduct the survey. The primary impediment to speedy implementation of the Household Survey Project was the difficulty MOPDC faced processing a large number of payments each month to the hundreds of local interviewers for fees and travel expenses. Payment delays were caused by a lack of liquidity in the project account, problems transferring funds through the local banking system, and difficulties in communication and transporting documents. To compensate for these bottleneck, the World Bank is seeking senior management approval to pilot the use of a “designated account” on an exceptional basis to provide advance funding from the Iraq Trust Fund. Finally, the appreciation of the Iraqi dinar has increased project costs and the ministry will request supplemental funding to fill the financing gap.

EMERGENCY SOCIAL PROTECTION PROJECT

Grant Amount: US\$8 million

Disbursed to-date: US\$0.2 million

Committed to-date: US\$0.3 million

Effectiveness Date: June 2006

Closing Date: February 2010

Implementing Entity: Ministry of Labor and Social Affairs, Ministry of Finance

Strategic Context and Donor Coordination:

The Minister of Labor and Social Affairs (MOLSA) requested the World Bank's support in social safety net and pension reform, in line with the Government's priorities outlined in the NDS. The ultimate goal of improved system design and implementation would be to provide vulnerable populations with the support they need to sustain themselves. The project complements the Household Survey and Policies for Poverty Reduction Project, also financed by the ITF. The main donor partner, USAID, has provided policy advice in pensions and safety net systems, supporting the design of the revised Social Safety Net Program. While USAID supports MOLSA to develop a pilot Social Safety Net Information System and its national roll-out, the Emergency Social Projection Project finances the infrastructure required for the pilot and for scaling up the information system nationwide. USAID participated in the World Bank's appraisal mission, project launch workshop, and subsequent supervision missions.

Project Objective and Description:

The project aims to strengthen the policy, management, and administrative capacity in MOLSA and the Ministry of Finance (MOF) to develop, manage, and monitor pension and social safety net reforms. This project will: (i) establish a basic information system within the MOLSA to record and process information on safety nets, to provide a foundation for policy design; (ii) consolidate and expand the information base for the social safety net program to develop effective targeting strategies; (iii) design and implement monitoring and evaluation systems for the expanded social safety net program; (iv) develop an updated digitized database on beneficiaries, contributors and employers in the pension system; (v) build technical capacity within MOLSA and MOF for policy analysis and design in the area of safety net and pensions; and (vi) develop a draft pension reform strategy.

Geographic Coverage: Nationwide

Near-Term Employment Creation:

While creating local employment is not a project objective, the project will create short-term jobs through civil works undertaken by local construction companies.

Project Components and Costs:

- | | |
|------------------------|-----------------|
| 1. Safety Nets: | US\$6.3 million |
| 2. Pensions: | US\$0.8 million |
| 3. Project Management: | US\$0.8 million |

Project Costs by Type of Expenditure:

Goods:	US\$4.8 million
Technical assistance:	US\$1.3 million
Training:	US\$1.1 million
Operating costs:	US\$0.3 million

Implementation Status:

Although the project suffered from initial implementation delays, project management is strong, and significant progress has been made in the last six months. Procurement is

underway for 10 Information Technology (IT) packages (valued at about US\$1.3 million), two contracts have been signed to train about 42 Iraqi staff in IT systems, and the evaluation of the Pension Survey proposal is complete. In addition, the Project Management Office (PMO) revised the implementation framework for the “Social Safety Net Beneficiary Assessment” and drafted the Terms of Reference for international and local individual consultants and a local firm to undertake the survey.

Major Implementation Obstacles:

Many projects in Iraq suffer from lack of institutional capacity and inefficient procedures in the implementing agency. Initial progress of the Social Protection project was hindered by complicated internal MOLSA procedures for the use of the project account, and the extended time spent evaluating procurement documents. The PMO has identified the cause of many of these internal delays and is introducing more efficient procedures to address them. Finally, the MOF and MOLSA resolved long-standing problems with the project account.

EMERGENCY ENVIRONMENT MANAGEMENT PROJECT

Grant Amount: US\$5 million

Disbursed to-date: US\$0.0 million

Committed to-date: US\$2.8 million

Effectiveness Date: December 2006

Closing Date: August 2010

Implementing Entity: Ministry of Environment (MOEn)

Strategic Context and Donor Coordination:

The Emergency Environment Management Project (EEMP) supports Iraq's efforts to improve management of its natural resources and the environment. EEMP is the first environmental operation in Iraq.

Project Objective and Description:

The objective of the project is to strengthen key institutional and regulatory functions of MOEn to enable it to undertake environmental policy analysis and coordination, formulate laws and regulations, monitor environmental quality, promote environmental awareness, and conduct technical studies.

Geographic Coverage: Nationwide.

Beneficiaries / Outputs:

Over time, Iraqi citizens will benefit from the public health and environmental improvements that result from improved air and water quality, as the government is better able to manage environmental risks, target pollution control investments, and address municipal and healthcare waste management issues. Through the project, the MOEn will:

- Prepare an Environmental Action Plan to systematically analyze environmental issues and propose priorities for intervention in the next 3-5 years.
- Provide training in Environmental Impact Assessment; revise environmental standards.
- Install air quality monitoring stations in three cities to monitor air quality.
- Prepare a Master Plan for solid waste management in Baghdad and a health care waste management plan.

Project Components and Costs:

1. Strengthen the Environmental Management Capacity of the MOEn: US\$0.9 million
2. Develop Capacity in Environmental Monitoring: US\$2.6 million
3. Strengthen Technical Capacity in Waste Management: US\$0.8 million

Project Costs by Type of Expenditure:

Goods:	US\$2.8 million
Consulting services:	US\$1.6 million
Operating costs:	US\$0.2 million

Implementation Status:

Despite a slow start, the project is now making progress. The implementation of the environmental monitoring component is underway, and the contractor is ready to supply and install the air quality monitoring stations. Due to the appreciation of the Iraqi dinar, the World Bank agreed to reduce the scope of the Environmental Management and Waste Management capacity components in order to remain within the available grant funds, while still ensuring satisfactory achievement of the development objective. Based on this reduced scope, negotiations with an international firm to provide technical assistance to the Ministry of Environment is near completion.



Major Implementation Obstacles:

The initial implementation of the Emergency Environment Management Project was slow due to delays in completing necessary the fiduciary steps, including the opening of a bank account and the selection of an independent auditor. In addition, the appreciation of the Iraqi dinar led to unanticipated cost increases, forcing a review of the scope of the project.

ANNEX 3: MAP OF ITF IRAQI-IMPLEMENTED PROJECTS BY GOVERNORATE



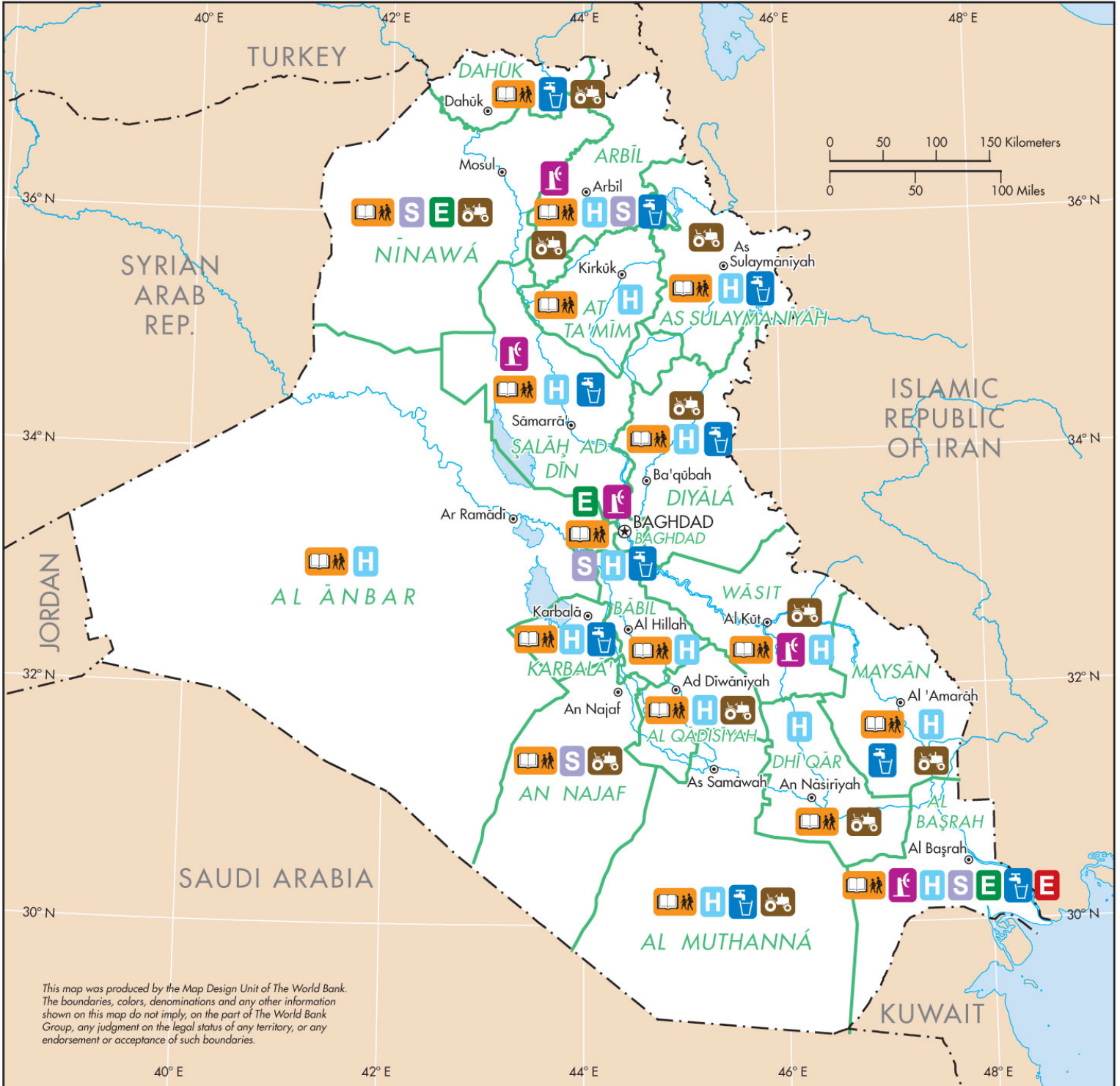
WORLD BANK IRAQ TRUST FUND

IRAQI-IMPLEMENTED PROJECTS BY GOVERNORATE

DECEMBER 31, 2007



-  WATER SUPPLY & SANITATION (\$175 Mil.)
-  HEALTH (\$44.5 Mil.)
-  EDUCATION (\$106 Mil.)
-  RURAL INFRASTRUCTURE (\$20 Mil.)
-  TELECOMMUNICATIONS & PRIVATE SECTOR DEVELOPMENT (\$55 Mil.)
-  SOCIAL PROTECTION & PUBLIC ADMINISTRATION (\$13.1 Mil.)
-  ENERGY (\$6 Mil.)
-  ENVIRONMENT (\$5 Mil.)



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